CSR, Sustainability, Ethics & Governance

Series Editors: Samuel O. Idowu · René Schmidpeter

Samuel O. Idowu
René Schmidpeter
Liangrong Zu *Editors*

The Future of the UN Sustainable Development Goals

Business Perspectives for Global Development in 2030

CSR, Sustainability, Ethics & Governance

Series Editors

Samuel O. Idowu, London Metropolitan University, London, UK
René Schmidpeter, Cologne Business School, Cologne, Germany

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Dedicated to our wives and children for their forbearance

Foreword

This is a book with a vitally important overall ambition: to link the international academic community who are concerned with Corporate Social Responsibility, Sustainability, Ethics and Governance, with the United Nations Agenda on Sustainable Development Goals.

The editors have assembled a formidable array of chapters from around the world, which ask honest questions about the future of the world, global capitalism and globalization, backed up by detailed evidence. The remarkable Springer Book Series has now reached 70 volumes, with numerous case study chapters from around the world, from researchers, professionals and practitioners. It provides an unmatched resource for academics, companies and policymakers. Now is the time for universities, companies and NGOs to move on from signing bland agreements and to engage in new collaborative development coalitions, working actively in support of UN agencies.

I suggest that the Springer Series, including this book, will not be sufficient to close the gap between theory and practice. The debate could now benefit from the participation from other international academic communities, such as contributors and subscribers to *AI & Society: Knowledge, Culture and Communication* and the *European Journal of Workplace Innovation*. There are relevant discourses on the changing role of technology, on the impact of globalization and on the human-centred nature of workplace innovation. These discourses can cast new light on the mass of data from around the world.

There is a new emerging agenda, involving questions which cross-borders of sectors, disciplines and countries:

- Does it make sense to talk of capitalism as one phenomenon, or should we talk of “varieties of capitalism”?
- Can business schools now progress from signing declarations of intent and contribute meaningfully to addressing the United Nations Sustainable Development Goals, which are embedded in the policies of the United Nations?
- Can the book, and the series, launch a sustainable and productive debate, which moves from talking the talk to walking the talk?

- What needs to be added, if the agenda of the series is to become the agenda for business around the world?
- What are the implications for social science? Can academics continue to pretend detached objectivity, rather than recognizing their own engagement in the subjects of their study?

The book and the series provide the basis for new courses in business schools around the world and for innovative collaboration with managers, workers and communities.

Kingston upon Thames, UK

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UK National Commission for UNESCO
2004–2008

Preface

Since the Brundtland Report 1987 on “Our Common Future”, the United Nations in its drive to encourage and propagate *Corporate Social Responsibility* (CSR) has been involved in a number of CSR-related activities. In the organization’s attempt to combat global warming, climate change, human rights abuses, environmental degradation, poverty, etc, the UN has championed many CSR-focused events and activities worldwide. We are all too aware of several UN Climate Change Conferences, Paris 2015, being the latest, the UN Global Compact, which has the world’s largest corporate responsibility initiative, the eight UN Millennium Development Goals (MDGs) 2000–2015 and now the UN Sustainable Development Goals (SDGs) 2030 which was agreed in 2015. The field of CSR is of increasing importance in all areas of human existence—business, politics, academia and the civil society in general. Issues relating to CSR are discussed, researched and propagated in all economies around the globe, an obvious statement to make! There is practically nowhere in the world today where issues relating to CSR, Sustainability, Ethics and Governance are not debated, researched, encouraged, practiced and perceived as being desirable. In fact, it is a core part of corporate strategies of many companies in most economies.

The relatively new Sustainable Development Goals (SDGs) target the 5Ps (people, planet, prosperity (originally profit), peace and partnership) and encompass seventeen goals which are of importance to everyone in the world. They are all about CSR. What effects will the achievement of these goals have on corporate entities—small, medium or large everywhere? How are businesses going to help the United Nations in meeting the goals in 2030—the target year of achieving these goals? All good corporations are going to have to expand their strategies to embed many if not all these seventeen goals into their strategies. How are we going to measure whether or not the goals have been achieved? What effect will the SDGs have on corporate governance? A few of the 8 MDGs have also been included in the 17 SDGs; are we to assume that these were not achieved satisfactorily between 2000 and 2015? How will government of the 196 countries that make up our world going to assist in meeting these goals? These and many other relevant SD issues are what contributors to have explored in their chapters in this book.

The intention of the book is to add to peoples understanding of issues surrounding the new UN SDGs and perhaps the old MDGs if there are pertinent issues relating to the eight goals of the old MDGs. If there are issues relating to the new SDGs and different dimensions of CSR, Sustainability, Ethics and Governance and how they will affect practitioners, scholars and stakeholders in general worldwide, contributors are encouraged to bring them into their proposed chapters.

London, UK
Cologne, Germany
Turin, Italy
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Acknowledgements

The lead editor of the book owes a load of thank you to all his global friends who have stood by him with their impressive chapters in this book—these friends are everywhere in Europe, Asia and Africa. Many of them despite their busy schedules felt obliged to help in putting together this very fine informative addition to the literature on the globally acclaimed Agenda 2030 of the United Nations. He will forever remain grateful to all of them.

The three editors would also like to express their thank you to a number of people starting with their friend Prof. Richard Ennals, Professor at Agder University, Norway, who wrote a very fine foreword to the book. They also wish to thank some of their friends who are too numerous to name in a piece like this. Finally, Samuel O. Idowu is also eternally grateful to those who are always on the scene of many of his scholarly activities—his wife—Olufunmilola Sarah O Idowu and his young children—Josiah O Oluwatobi O Idowu and Hannah Ayomide O O Idowu, to whom his own part of this book has been dedicated for their great understanding that what is important to one family member is important to all members of that family, you each deserve a diamond medal from him and thank you very much from the bottom of his heart.

We would all like to thank our publishing team at Springer headed by the Executive Editor, Christian Rauscher, Barbara Bethke and other members of the publishing team who have supported this project and all our other projects.

Finally, we apologize for any errors or omissions that may appear anywhere in this book; please be assured that no harm was intended to anybody. Causing harm or discomfort to others is simply not the spirit of corporate social responsibility, not the least in a book on making our world a better place for all with the United Nations world acclaimed set of development goals.

Introduction

The United Nations Sustainable Development Goals represent one of the most powerful political visions in history. They have now been signed by almost two hundred countries around the world. This global document addresses critical issues surrounding social, economic and environmental progress, which governments and sectors have committed themselves to working towards achieving these ambitious but achievable targets. This book takes a deep look into the opportunities, struggles and current issues surrounding the achievement of the UN SDGs in key economies. The first part of the book includes numerous articles by top researches uncovering the application of the SDGs in Africa. They discuss the changes that need to be in place and what impact the agenda will have on the continent's developmental path. All kinds of topics are covered from financing to energy access and even education. In the second part, you will find a collection of the latest sustainable development research coming out of Europe. Topics such as social innovation and the role of entrepreneurs, as well as the establishment of legal sustainability investment frameworks, all come into play. The final part of the book takes us all the way to Asia, where the local researchers look at three countries, namely India, Kazakhstan and China, and how they are working towards meeting their share of the UN SDGs with a variety of different cases from business and politics. We hope that you enjoy and get inspired by the book. It is an informative read for anyone interested in global sustainability, and how various countries in different regions are adjusting themselves and for the very first time in history all are working towards the same 17 UN goals.

Part I

In the first chapter, Researchers, David Abdulai, Ortrud Knauf and Linda O'Riordan, take a look at the UN SDGs from an African perspective. They analyse the roles and strategies that governments, policymakers and businesses can adopt in order to contribute to the goals by the 2020 target. Through a qualitative review of

secondary data, the researches discuss Western ideas of relevant sustainability concepts in order to determine their suitability and potential impact when applied to the African context. The authors point out that the ideal solution may be to consider applying a new concept of corporate responsibility, which is aligned with Ubuntu philosophy. They conclude that a model derived from the Ubuntu approach would in fact be more suitable for the African culture and environment. Therefore, it will likely be able to deal with local challenges such as poverty alleviation, access to education, health care, conservation essay access to drinkable water and overall achievement of the SDGs. A critical examination of Western sustainability and corporate responsibility concepts is conducted, and the conclusions are drawn about the ever-growing importance of sustainability within African businesses of the future.

The next chapter examines the transfer of knowledge within the construction sector in Africa and why years of foreign direct investment have not yielded more sustainable results. Today, there are still a large number of unskilled workers, although international construction companies are working in the area. This is of concern as knowledge transfer to local workers is considered a critical benchmarking indicator when assessing the progress of development projects within the industry. In Africa, this issue has not yet been adequately integrated into the CSR strategies of the locally operating international construction companies, particularly when accounting for the Chinese contractors who are conducting more and more projects on the continent. Therefore, Author Oluwasegun Seriki uncovers the nuances of this issue using Nigeria as a case study. He identifies key barriers and deconstructs the nuances of competence and skill shortages. The author calls upon the industry to better synchronize policies about knowledge transfer and place more of their CSR focus on employee training rather than image enhancement.

Energy! Energy! Energy! It keeps coming up as the foundation of sustainable development in any country. Without the steady supply and widespread accessibility of clean energy, many other sustainability initiatives tumble! Still, in 2015, the Development Factsheet released by the United Nations confirmed that 1.3 billion people are still lacking access to modern electricity and that around 3 billion rely on the burning of whatever materials can be found locally in order to generate power. In Nigeria, this is a widespread problem with power blackouts still negatively affecting social and economic development activities in the country. Researchers Nafiu Olaniyi Oladokun, Oyebola Fatima Etudaiye-Muhtar and Muhtar Adeiza Etudaiye identify inadequate financing and funding opportunities for power generation and related infrastructure as the major obstacles and explore new and innovative financing mechanisms. The paper reviews a variety of opportunities and funding models and looks into how they can best be applied to produce real results in the Nigerian energy sector. The chapter helps to find real solutions for the achievement of UNSDG 7, which calls for access to reliable, affordable and sustainable energy for all.

Afterwards, we move away from energy and towards the manufacturing sector specifically with regard to issues of income and employment generation, which is a challenge that many countries in Africa have been struggling with for decades. In

Nigeria, sustainable development within the economy requires better efficiency and heightened productivity in many sectors. However, when analysed by Author Titus Chukwuemezie Okeke, it was found that there is a lack of empirical studies and data on productivity within the country's economy. The data which is available points to low productivity with regard to the utilization of capacity, per capita added value, overall contribution to GDP, as well as other relevant value markers, thus demonstrating a need, not only for more research in the field but also for better infrastructure policies, representation of the industry and business-enabling investment. Only when such pre-requisites are met can Nigeria's manufacturing industries achieve the level of technology and industrial policies required to be competitive within the global value chain.

The financing and the funding of developmental projects are a reoccurring theme when it comes to the achievement of sustainability goals, and many countries are lacking adequate opportunities. The banking sector plays a major role. In fifth chapter, Authors Adebimpe Lincoln, Oluwatofunmi Adedoyin and Jane Croad explore the banking sector in Nigeria with regard to Goal 16, which calls for peace, justice and strong institutions. The authors focus on corruption and regulator deficiencies within the baking sector and the negative effect this can have on sustainability and proper governance. After extensive research, they determine that corruption within the baking sector is in fact a hindrance for sustainable development and that corporate governance practices within Nigerian banks are still weak. As long as a lack of accountability persists, the corruption will continue to hinder legal regulatory systems and therefore the country's potential for sustainable development.

The topic of regulation and reporting continues as the next chapter takes us on a journey to the hot and sunny islands of Mauritius, Madagascar and the Seychelles. It looks at the impact of sustainability reporting as a way to achieve the UNSDGs. Sustainability on islands is a massive challenge. Although, small island developing states together contribute less than 1% to the global issue of climate change, they are the areas which will continue to hit the first and hardest from the negative effects. Islands are also incredibly valuable for global sustainability research as the reduced scope and external influences make them ideal locations to test and model how sustainable development can occur in the rest of the world. Thus, the struggles of these small economies should never be overlooked. In this informative chapter by Sanjiv Gungadeen and Megan Paull, the authors compare private sector organizations in the African island nations and aim to create a better understanding of the complexity of sustainability reporting and the challenges of local organizations. A detailed explanation of factors including the variables in sustainability reporting processes, the involvement of stakeholders, the impact of triple bottom line reporting, as well as drivers, benefits and obstacles are discussed in depth. Finally, the study evaluates the level of efficiency of governments in their ability to implement sustainable development and contributes in filling a knowledge gap that islands around the world can learn from and apply to their own individual contexts.

The issue of sustainable development is broad and requires skill and knowledge integration from many disciplines and interrelated sectors. Therefore, it often gets a

reputation for being a difficult concept to embrace. Especially in the context of Africa where sustainability has the ability to strengthen much needed economic, social and environmental management, the establishment of sound policies is incredibly important. The next chapter, written by Sam Sarpong looks at the corporate side of things and specifically the role of firms in sustainable development processes in Africa. After diving into the many challenges associated with such a diverse topic, the author concludes that both corporations and governments can better achieve local development needs by uncovering and working towards solutions in their particular fields.

In eighth chapter, we are back to the topic of energy and specifically the potential for off-grid electricity in rural Nigeria. The Authors Babawande Sheba and Hafiz Bello discuss the correlation between a lack of access to modern electricity sources in rural areas around the world and low standard of living. When it comes to tackling issues such as poverty, gender inequality and environmental vulnerability, energy access plays a huge role. Therefore, an accessible supply can have a positive influence on people leading long and healthy lives and achieving a decent standard of living. Off-grid solutions are often talked about as a great way to give people in rural parts of the world energy access. In this chapter, find out more about and the importance of good governance in providing solutions for clean energy access to rural areas.

The final chapter in the African part of the book looks at the sustainable perspective of marketing in the quest to meet the needs of the UN SDGs 2030. Two Egyptian scholars—Yasmin Anwar and Noha El-Bassiouny—delve into this matter when they argue that even though it is generally perceived that social, ecological and economic issues could act as constraints to economic growth; Yasmin Anwar and Noha El-Bassiouny believe that achieving social, environmental and economic progress can be realized simultaneously by taking the "triple bottom line" approach. The chapter takes an extensively look at the role of marketing in achieving the goals in Agenda 2030.

Part II

After a very enticing read about the current state of sustainable development in Africa and the SDGs, we move on to Europe for an in-depth look into European Sustainable Development topics such as innovation, social engagement and investment law. In the first chapter, Maud H. Schmiedeknecht looks at how social innovation and entrepreneurship can support sustainable development by fostering value creation within society. "Necessity is the mother of invention" and the troubling times caused by unsustainable development, which can be seen around the world, may be exactly what is needed to start fire in the hearts of entrepreneurs to work hard at solving social and environmental issues. It is critical now that business owners, whether small, medium or large, focus their creativity on solutions to sustainable development challenges.

Now that we know how important it is for businesses to focus on sustainability, what does it really mean? The following chapter by Lars Moratis and Frans Melissen helps us sort through all the definitions and unravel the concepts to gain a better understanding of the true essence of business sustainability and what it means for entrepreneurs. Not only do they discuss relevant concepts, but also within relation to the actual state of the planet. They look into the impact that sustainable business can have on whether or not we are able to achieve a future that can sustain social and economic progress. The authors unravel the complexity of "true business sustainability" in a constructive way in order to stimulate further discussion on the role of business sustainability in finding solutions to real issues.

The next chapter comes to us from Silvia Puiu who discusses the relationship between two of the UNSDGs: the fourth, which is concerned with accessibility to quality education and lifelong learning opportunities, and the eighth, which calls for the promotion of sustained economic growth, productive employment and decent work for all people. The author discusses the untapped potential of "NEETs", that is. young unemployed adults who are not currently participating in an education or training programme. Data is analysed from European countries in order to develop a better understanding of why the amount of people within this category is increasing and how they can be better integrated into society to help with the 2030 agenda. The topic of education is continued with a discussion by Mark Anthony and Adriana Caterina in the twelfth chapter, which compares the fourth UNSDG with the Europe 2020 strategy, which set the goal of creating sustainable, smart and inclusive growth within the European Union. The authors present a case study from Malta, the EU's smallest state, which is perusing a programme to reduce instances of early school dropouts and promoting lifelong learning. Simultaneously, the country has set out to address skill gaps and in its domestic labour market to increase employment. Their research indicates that continuous improvements in education do in fact have positive impacts on economic growth and societal prosperity.

Four decades after the Brundtland Report set the milestone of putting sustainable development at the forefront of the global agenda, the UNSDGs have defined a new era of getting countries around the world to agree on priority issues. With topics like access to education, poverty alleviation and environmental conservation on the agenda, many industries will have to put a halt to or at least change their socially and environmentally destructive practices. However, as there is currently no agreed-upon global government, the UNSDGs can only be achieved through the concept of shared responsibility, which is what is discussed by Rudi Kurz in the thirteenth chapter. During his article, Kurz analyses two UN-related organizations and their ability to engage stakeholders in this regard. A focus is placed on the roles of universities and companies and their engagement in socially responsible behaviour aligned with global sustainable development goals. The author determines that if conducted in a voluntary way, social "responsibilities" are not always disruptive to economic players and can be part of continuous improvement. Also noted is the need to avoid accepting voluntary activities of companies and universities as a

substitute for government activity and that true progress towards the UNSDGs can only occur when both stakeholder groups actively engage.

Continuing with the engagement of governmental entities for sustainable development, the next chapter, written by Małgorzata Żmuda, looks into the common misconception that national competitiveness and sustainability are mutually exclusive. The author goes into detail in defining national competitiveness and demonstrates that even in the current era of globalization, individual countries can succeed with regard to productivity. Important is that they go beyond the GDP to include socio-economic progress without environmental degradation. The suggestion is that a new "sustainable competitiveness" model be adopted, which links national competitive ability and strategy with global socio-economic and environmental goals.

An underlying theme throughout this book is the role of monetary value and investment for sustainable development, whether through financing or enhanced turnaround resulting from a better educated population, more socially innovative entrepreneurs, and even rural access to clean energy investment is key. Therefore, the final chapter in the European part looks into the potential of global sustainable investment laws that promote the engagement of investors in solutions that make an impact on some of the world's most critical challenges. The Author Jens Magers looks into the legal possibilities for the implementation of sustainability standards through investment as a way to promote global investment turnaround. The article discusses a basic legal structure of sustainable investing with regard to two different types of investments: passive investments (e.g. mutual funds) as well as more active investments (e.g. dedicated start-up). Finally, the author dives into challenges of the future with regard to more conscious investments such as innovations like artificial intelligence.

Part III

The final part of this book focuses on business perspective of Agenda 2030 in Asia where governments, practitioners and private sectors continue to make concerted efforts to achieve the UN Agenda 2030. The role and importance of Asia and the Pacific region need to play in the achievement of the UN 2030 Agenda that has been recognized widely because of the region's dynamic economic growth, international trade and human resources. The part covers the following three Asian countries: China, Kazakhstan and India.

The first chapter discusses the Chinese way of achieving the 2030 Agenda, which is concerned mainly with the power of youths, innovation and entrepreneurship. The chapter analyses the challenges, strategies and methods that the Peoples Republic of China has faced and developed in the realization of the SDGs by holding on to the core principle of the Agenda "ensuring no one is left behind". This principle is completely in alignment with the Chinese traditional wisdom of Taoism: "*making the best use of everyone, nobody is left behind, making*

the most use of everything ensuring, nothing is left to waste". The target population for the pledge to leave no one behind is various, some may choose to focus on the disadvantaged members of society, and others focus their attention on reducing inequalities between countries, but in the chapter, by a famous Chinese Scholar Liangrong Zu "Ensuring no one is left behind" will focus on the youths. The author addresses four broad questions. First, it tries to answer the question "who are those left behind?" Second, why are they left behind? Third, what methods and mechanisms exist to reach and involve them? And fourth, what types of appropriate strategies and policies have the national authorities developed in order to leave no one behind? The purpose of the 2030 Agenda is to realize the commitments to the achievement of the SDGs and without leaving anyone behind. Succeeding in achieving the purpose of SDGs requires national authorities to empower today's youth as tomorrow's global leaders and to engage them in the realization of the SDGs by creating an enabling the environment that promotes innovation and entrepreneurship. Fostering innovation and youth entrepreneurship call for multi-pronged strategies, implementation and involvement at all levels including the government, industry, politicians, the civil society, as well as the educational sector. The author examines the implications of "ensuring no one is left behind" for the implementation of the 2030 Agenda. The author will briefly discuss the connections between the commitment to leave no one behind and three related strategies for the achievement of the SDGs which are innovation, youth and entrepreneurship. The author then reviews some of the concepts and methods used to identify those left behind, as well as some of the methods that are used to reach them in practice. Finally, the author highlights examples of developmental strategies that the Chinese government has used in the achievement of sustainable development goals.

The second chapter, which comes to us from Sam Sarpong, discusses the current situation in Kazakhstan and the challenges being faced by local companies faced with pressure to meet the growing demands of global sustainable development initiatives. The author focuses on how obstacles can be transformed into opportunities. He proposes that the country uses its current situation as a way to achieve economic growth while at the same time minimizing their environmental and social risks.

In the final chapter, we look to Nayan Mitra and Bhaskar Chatterjee of India who discuss the contribution of one of the India towards the new global development agenda. The authors discuss the 2013 adopted CSR statute in India and the newly amended Companies Act. A point of particular interest is that according to recent statute interventions, India has not only committed itself to the global SDGs, but also streamlined sustainability activities within the country's own national development agenda. The paper reviews applicable parts of the Companies Act and pinpoints differences and similarities to the UNSDGs.

With sustainable development at the forefront of the UN global agenda, we hope that the following chapters will not only provide insight into some of the many

sustainable development issues in Africa, Europe and Asia, but also spark debate and plant the seeds for new questions, ideas and research topics. Now, join us on a journey through the current state of research in the UN SDGs from around the globe.

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Part I
African Business Perspectives of Agenda 2020

Achieving Sustainable Development Goals 2030 in Africa: A Critical Review of the Sustainability of Western Approaches

David Abdulai, Ortrud Knauf and Linda O'Riordan

1 Introduction

Triggered by the serious developmental challenges faced by the African continent, including: poverty, education, health, industrialisation, and environmental protection, this Chapter explores how to accomplish the Sustainable Development Goals (SDGs) from an African perspective. Focusing on how the strategies of governments and policy makers, as well as the Corporate Responsibility (CR) of business can contribute to meet the SDGs 2030, the Chapter is structured in two parts. In Part I, the authors trace the development of western concepts of Sustainability,[1] CR[2] and

[1] The terms 'the west' and 'western concepts' refer to Europe and the United States signifying their context-specific value systems. This includes capitalist market economy, based on a secular Western modern, democratic world view. Many former European colonies in countries such as: Latin America, Australia, New Zealand, and Asia are also understood to possess these value systems and are accordingly interpreted for the purpose of this study to adopt a 'western' approach.

[2] The term CR is interpreted to reflect the key concepts inherent in the various definitions of CSR defined by the EU commission (EU Commission 2002, p. 3) and social responsibility defined by the ISO 26000 (BMAS 2011, p. 11). For clarification, this chapter uses the terms CR & CSR synonymously, with the exception of quotations and definitions.

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Corporate Social Responsibility (CSR)[3] to investigate their suitability, relevance, and impact for achieving the SDGs 2030 in an African-specific context. In Part II, a new proposal is presented aimed at achieving Sustainable Triple Bottom Line (TBL) Development relevant to the specific context of the African dilemma.

2 The African Dilemma

A new day could be dawning in Africa, signaled by a range of signs pointing to a positive growth trajectory. Looking ahead, Sub-Saharan Africa is expected to see a constant increase in activity, with growth rising to 3.2% in 2018 and 3.5% in 2019. This increase is mainly led by Nigeria, South Africa, and Angola (World Bank 2018a). Within Africa, there are 400 companies with revenue of more than US$1 billion per year growing faster and more profitably than their international competitors. Household consumption in Africa is projected to increase at 3.8% per year to reach US$2.1 trillion by 2025. At the same time, business spending can be expected to boost from US$2.6 trillion to US$3.5 trillion by 2025. Politically, much has been achieved. There is an increasing move by most of the countries towards democracy. Moreover, African countries are increasingly holding multi-party elections, and in many countries, the development of democracy, including opposition parties, and numerous civic organisations, has become the norm. In addition, a new generation of African leaders are emerging who are taking on more responsibility for the future development of their countries. Such efforts are co-ordinated through institutions, unions and agencies such as the African Union, the East African Community, the Economic Community of West African States and the New Partnership for Africa's Development/NEPAD to mention a few (Abdulai 2015, p. 428; McKinsey Global Institute 2016, p. 8; The Economist 2013; UNECA 2012; Visser et al. 2006, p. 11). Despite these efforts, Africa still faces serious developmental challenges particularly regarding issues, including poverty eradication, education, industrialisation, health, and environmental protection, which need addressing.

Notwithstanding these issues, potentially, Africa could be considered the wealthiest continent on earth. It is endowed with immense natural resources which, if effectively utilised and managed, can contribute to the continent's exponential growth and development. Paradoxically however, Africa also has one of the largest populations of poor people in the world. The number of Africans living in extreme poverty has almost doubled between 1981 and 2006, from 164 to 314 million. 34 of the 48 poorest countries on this planet are located in Africa (Hayes 2006, p. 95). The problem has even further deteriorated based on data which indicate that in 2013 in Sub-Saharan

[3]The term 'Corporate Social Responsibility' (CSR) is typically the most common label employed in Europe. However, given that not only social, but additionally broader societal, moral, and ecological, as well as other key responsibilities are implied, of which social aspects are merely one (albeit highly salient) component, the term CR is employed in this Chapter to more aptly reflect the broader context of corporate responsibility beyond the social focus (please refer to Footnote 2 for further details).

Africa alone, more than half of the total population[4] lived on less than US$1.9 per day (World Bank 2018b).

What has contributed to Africa's current and sustained poverty and under-development? Numerous internal and external reasons ranging from domestic instability in some African countries to economic mis-management, as well as international economic and global forces are noted causes.[5] A key African dilemma is that although the continent holds abundant natural resources and while its economies are partially operating quite effectively, ultimately too few people profit from the wealth that is created. This is partly due to foreign corporations extracting Africa's mineral resources at immense profit for shareholders with minimal reward for African populations. Due to this, Africa loses approximately US$62.2 billion in illegal outflows and price manipulations each year, mainly due to exports by multinational companies (Smith 2013).

3 The Sustainable Development Goals 2030 (SDGs)

A sustainable wealth-creation approach advocates strategic regard for the interests of present and future generations (Brundtland 1987). The United Nations World Commission on Environment and Development published a report in 1987 under the name of the then Managing Director, Brundtland entitled "Our Common Future" addressing the increasing negative impact of global industrialisation on human and environmental development. This established, the term "sustainable development" as "a way of satisfying the needs of the present without risking the ability of future generations to satisfy their own needs" (United Nations 1987).

The UN leit-motiv can be conceived as closely related to the triple bottom line (TBL) principles: Profits (development of a solid economic structure which facilitates industrialisation and reduces unemployment); People (elimination of poverty, facilitation of human health and education); and Planet (protecting the environment) (Elkington 1997, p. 2).

Today, almost 30 years later, the need for sustainable development and sustainable commerce is more relevant than ever. As part of this initiative, CR can be interpreted as an attempt by organisations to combat global warming, climate change, human rights abuses, and poverty, among others. The UN has championed many CR-focused events and activities worldwide based on the premise that supplying the rapidly increasing world population with healthy food, clean drinking water, air and energy can only succeed if all the necessary and possible measures are taken to design business strategies which leave a 'liveable' world for our descendants. The rationale being that by following an economic approach which is conscious of its impact on

[4]390.26 million people from a total of 768.51 million people.

[5]Africa's economic under-development and its causes are significant topics in their own right. While they represent some of the key the forces which have triggered the need for this Chapter, their detailed discussion goes beyond the feasible scope of this Chapter.

both ecological and social principles, a permanently peaceful, healthy, global well-being for mankind can be secured.

To achieve this ambitious aim, various UN initiatives including for instance: Climate Change Conferences (e.g., the latest in Paris in 2015), the UN Global Compact programme uniting the world's largest corporate responsibility activities, the eight UN Millennium Development Goals (MDGs) 2000–2015, as well as the UN Sustainable Development Goals (SDGs) 2030 which was agreed in 2015, all demonstrate the increasing importance of the need for responsible responses from government, society, and business in all areas of our existence.

To elaborate, while the seventeen new SDGs 2030 (United Nations Sustainable Development Goals 2018) cover more areas and are more specific than the earlier eight MDGs (Millennium Development Goals 2018) on key themes, they continue to cover many of the original MDG topics (presumably because these issues are so persistent and/or 'wicked' that they remain unsolved). In overview, the SDGs expand on the MDGs to now include: poverty and hunger alleviation; improvement of health, education, and well-being; reduction of gender and other inequalities both within and between nation states; access to clean water, sanitation and affordable renewable energy; maintenance and development of sustainable cities and communities; measures to combat climate change and its impacts, conserve and sustainably use oceans, seas and marine resources, sustainably manage forests and address land degradation and biodiversity loss; approaches to foster sustainable industry, innovation and resilient infrastructure; strategies to establish decent work and economic growth based on responsible consumption and production approaches; general aims to promote just, peaceful and inclusive societies; and, revitalise global partnerships in the interest of sustainable development (United Nations Sustainable Development Goals 2018). In summary, targeting the 5Ps (People, Planet, Prosperity [originally Profit], Peace and Partnership), the new SDGs 2030 can be interpreted to comprehensively address key areas of responsibility impacting all spheres and levels of activity and life on this planet.

Mankind's ability to optimally meet these SDGs in harmony together triggers key broad-spanning, complex, over-arching questions both in general and specifically spanning the social, technological, economic and political spheres, among others. As key themes for this book, these questions include for instance: How will the governments of the 196 countries in the world respond in meeting these goals? How do the SDGs influence the future role of business in society? e.g., How will corporate entities (small, medium and large) contribute to the achievement of the goals? And how will this impact Corporate Strategy and Corporate Governance; As well as: What new Corporate Responsibility practices will be enacted? And, what measurement criteria will be established to assess whether the goals have been met by corporations?

Against the backdrop of these many questions and their inter-related themes, this chapter contributes to the discussion surrounding SDG 2030 initiative by exploring the specific question of how the government, policy-makers, and business in Africa can most optimally meet the SDG 2030 goals. In doing so, the CR responses particular

to Africa are examined and the implications for practitioners, scholars, and other stakeholders are explored.

4 The Sustainable Development Goals 2030 from an African Perspective

In an African context, achieving sustainable wealth-creation in line with the SDGS 2030 requires that growth and development must consider the needs and interests of present and future generations based on TBL principles in order to be sustainable. Within this context, the concept of CR requires that companies take responsibility for the impact of their actions on their various stakeholder groups. CR can thus be interpreted as a general responsibility of companies (Jonker et al. 2011, p. 88). As the leitmotif of the strategic orientation and positioning of organisations, CR involves comprehensively implementing an integrated process of sustainable, social, ecological, and economic themes into all of the business activities. Within this context, Corporate Social Responsibility (CSR) is defined by the Commission of the European Communities as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (EU Commission 2002, p. 5). For a further elaboration of CR and CSR concepts please refer to subsequent sections below.

Based on this rationale, the premise for this Chapter proposes that the most valuable economic development for African citizens manifests itself in a sustainable economic wealth-creation approach for both people and nature in Africa, as well as those networks of all those stakeholders inter-dependently impacted by that progress. In cases where foreign-owned companies already have effective sustainability procedures in place, it is essential that these are fostered and encouraged.

5 Research Focus and Design

Given the urgency of the many serious development challenges it faces, in contrast to the western countries, Africa does not have hundreds of years of time to develop its own specific sustainability concept and a resulting CR approach which most suitably fits to its particular environment. Instead, a pragmatic solution is for African economies to look to the most relevant existing constructs and to employ the most appropriate for its particular purposes. However, the existing potentially relevant prevailing concepts were developed decades ago within the context of the industrialisation of western countries largely focusing on environmental destruction issues caused by industrial development (McLamb 2011). To address that complication, this Chapter focuses on the key question of: How to achieve sustainable growth and development in Africa via CR. To answer this question, it examines and crit-

ically evaluates whether specific concepts and practices of western sustainability, and in particular CR approaches, are suitable for application in an African context. To address the very specific needs of the African continent, the evolution of the most widely accepted CR approaches in the west are presented and their adaptation requirement to the specific circumstances and needs of the African business operating environment is discussed. Ensuring the acceptance and implementation of the resulting proposed sustainability and CR recommendations for African business is viewed as a critical success factor. The ultimate thesis is that African progress is dependent on its ability to become a fully integrated and appreciated partner in the global business world.

The research design comprises a qualitative, theoretical approach based exclusively on secondary data sources. A key research challenge is the limited amount of literature available on this subject. To help to address this issue, the literature review has been strongly informed by the first author who is considered an African expert.

To explore Africa's current context-specific sustainability and CR situation, the remainder of this Chapter is structured in two parts. In Part I, Western sustainability concepts and CR approaches are explored in order to trace their development and practice over time. That review establishes the information basis for Part II which examines how far those Western constructs can be employed and adapted in an African-specific context. A new proposal is presented to address what has been termed in this Chapter 'the African dilemma' aimed at achieving sustainable TBL development via a CR rationale relevant to the specific context of the African environment and its particular challenges.

6 Definition of Underpinning Concepts and Their Historical Development

The dilemmas and challenges noted above prompt the need to define and critically reflect upon selected key related terms and their underpinning concepts. This section first considers varying interpretations of the concept of growth within a country, before elaborating on western concepts of sustainability, sustainable development, and CR.

6.1 Development and Growth

What could be considered to construe 'development' in a country, and more specifically, what might this mean when applied to the African context? According to the late Myrdal (1974, p. 729), "development [is] the movement upward of the entire social system". But this definition can be misleading. Does it refer to economic development only or does it also include economic growth? According to Todaro

and Smith (2012, pp. 2–6, 37–56), economic development is frequently understood as an increase in living standards. In most cases, it typically refers to improvements in literacy, life expectancy rates, as well as decreasing poverty. This interpretation refers to the general well-being of the people. In contrast, the term 'economic growth' is frequently understood to mean an increase in a country's output i.e., Gross National Product (GNP). Clearly however, this concept of economic growth does not take into account the informal sector,[6] environmental issues, literacy rates as well as life-expectancy aspects which typically define the notion of *sustainable development*. Sustainable development, according to the Brundtland Report (United Nations 1987, p. 39), "seeks to meet the needs and aspirations of present generations without compromising the ability to meet those of the future". Amarta Sen, a Nobel Laureate in Economics, states, "Growth of GNP or of individual incomes can, of course, be very important as a *means* to expand the freedom[7] enjoyed by the members of the society. But freedom depends also on other determinants, such as social and economic arrangements (for example, facilities for education and health care), as well as political and civil rights (for example the freedom to participate in public discussion and scrutiny)" (Sen 1999, p. 3). According to Sen, development "requires the removal of major sources of 'unfreedom'[8]: poverty as well as tyranny, poor economic opportunities, as well as systematic social deprivation, neglect of public facilities, as well as intolerance or over-activity of repressive states" (Sen 1999, p. 3).

Having considered the varying interpretations of how development and growth in a country could be construed, the remainder of this section elaborates in greater detail on western concepts of sustainability, sustainable development, and CR.

6.2 The Development of Sustainability, Sustainable Development, and CR in Western Concepts

6.2.1 History of Western Concepts of Sustainability from Antiquity to the Middle Ages

In its most fundamental meaning, the concept of sustainability has existed ever since human beings walked the earth. One of the main reasons why the pre-agricultural

[6]The informal sector is a typical concept in developing countries. It encompasses all jobs which are not recognised as normal income sources, and on which taxes therefore are not paid. The term is sometimes used to refer to illegal activity, such as not declaring earnings in the case of income tax, or situations where people are forced to work without pay. However, the informal sector could also be interpreted to include legal activities, such as jobs which are performed in exchange for something other than money, for example barter etc. (Business Dictionary 2017).

[7]The term "freedom" here is employed to mean freedom from hunger and oppression in its fundamental form.

[8]The term "unfreedom" as used by Sen refers to "barriers to freedom" including lack of political, social and economic rights on a more structural level. By definition, "freedom" is achieved once the unfreedom of hunger and oppression which limit personal free development have been removed.

societies of hunters and gatherers, such as the Native American tribes, as well as early agricultural societies successfully thrived for thousands of years was their choice of locations with sufficient healthy air, clean water, rich soil, and/or abundant wildlife to guarantee their permanent existence. Their lifestyle did not form a threat to these basic conditions, and all waste was bio-degradable. Bosselmann explains this harmonious co-existence with nature: "Ancient civilizations were grounded in value systems that did not separate the human sphere from the natural sphere. It was inconceivable [...] to seek economic prosperity at the cost of ecological sustainability" (Bosselmann 2009, p. 12). However, from a modern western perspective, these early societies paid a very high price for their totally sustainable life, in particular with a very low living standard and short life expectancy (Arking 2006, p. 136). Another reason why sustainability was not a real topic from antiquity to the Middle Ages is the fact that in the past, given that the population was much smaller than today, less resource issues occurred than is the case in modern times. In the 14th century, towards the end of the Middle Ages, Europeans faced a major ecological crisis: a severe timber shortage due to an excessive use of wood for heating, cooking, house construction and tool-making purposes (Bosselmann 2009, p. 13; Hughes 2009, pp. 90–95). In seafaring nations, such as the United Kingdom, the Netherlands, Spain, and Portugal, and later in France, the large-scale building of wooden ships, particularly during the Tudor period (1485–1603), transformed these countries into leading colonial powers. Yet the consequence was a dramatic deforestation, often resulting in erosion, flooding, and even starvation. So, for the very first time in European history, tree-planting became a political concern. Up to the end of the 17th century, the term 'sustainability', which is noted in greater detail below, had not yet been invented, but local sustainability laws, e.g., within the 'Allmende'[9] land-use system focusing on common property, already took into account some of the needs of existing societies, as well as concerns for future generations. This led to the first form of sustainable timber management that often included a system of rotational land use which was quite successful until the end of the 18th century (Bosselmann 2009, p. 14; Grober 2012, pp. 72, 120; Hughes 2009, pp. 90–95; Sieferle 1998, pp. 304–307; The British Monarchy 2014; Woodland Trust Scotland 2014).

[9]This approach to sustainability laws centered around a land use system used for governing German principalities known as 'Allmende' in German meaning 'Commons' in English. In this system, the land was seen as a 'common' public good and limitations were set for individual land use rights.To elaborate, the 'commons' refers to the cultural and natural resources accessible to all members of a society, including natural materials such as air, water, and a habitable earth. Because these resources are held in common i.e., not owned privately, this concept addresses how to govern the natural resources available to groups of people (communities, user groups). A paper entitled "Tragedy of the Commons" by Hardin (1986, pp. 1243–1248) addressed the complex challenge of how to manage such resources, a question invoking a decision-making dilemma surrounding perspectives of individual and collective benefit. Characteristically, solving this dilemma is a controversial task requiring underlying decisions on a variety of informal (often discretionary) norms and values (social practice) to realise a governance mechanism.

6.2.2 Origin and Development of the Term 'Sustainability' Between the 17th and the 20th Centuries

In the 18th and 19th centuries, two major changes began to strongly influence European development: a fast-growing population, and later the Industrial Revolution.[10] Both transformations Transformation resulted in the emergence of the modern economic system we know today with its focus on the intensive private use of natural resources and short-term profits. One important consequence was that the related legal changes favoured private property rights whilst, at the same time, down-played environmental protection. Europe fast experienced a second environmental crisis (Bosselmann 2009, p. 15; Marquardt 2005, pp. 243–252).

About that time, the term 'sustainability'[11] officially appeared for the first time. It can be dated back to the year 1713 when the German forest scientist Hans Carl von Carlowitz introduced it in his book: *Sylviculturaoeconomica oder Hauswirthliche [Sic] Nachricht und Naturmässige Anweisung zur Wilden Baum-Zucht*[12] (Thomasius and Bendix 1713/2013, p. 10). Carlowitz's basic idea was that only what they termed a 'proper' timber management could stop the destruction of over-exploited German forests (Bosselmann 2009, p. 18; Thomasius and Bendix 2013, pp. 5, 7, 11). Here we interpret 'proper' to mean a professional or restorative approach to timber management.

In his book, Carlowitz outlines the essential concepts related to sustainability, including, as Grober puts it, "respect for nature, management of resources, strengthening the community; and in addition, taking responsibility for succeeding generations" (Grober 2012, p. 85). This quotation already includes the crucial elements of modern concepts of sustainability, namely: the combination of economic, social, and ecological aspects on an inter-generational basis.

It took German foresters about 100 years to put the new systematic approach of sustainability into practice. Forests were measured, soil quality was analysed, and climatic conditions were taken into account. The total woodland was divided into a certain number of felling areas equalling the years of the rotation period. Each year, only the trees within one felling area were cut down in order to secure sufficient time for reforestation (Grober 2012, pp. 119–120)—measures which are still in use today.

Similar concepts and academic institutions teaching sustainable forest management could also be found in other European countries at that time and the related concepts influenced each other. Important representatives were John Evelyn (1620–1706), Jean-Baptiste Colbert (1619–1683), Carl Nilsson Linnaeus (1707–1778), Karl Kasthofer (1777–1853), Robert Malthus (1766–1834) and John Stuart Mill (1806–1873). The spirit of sustainability also spread into literature and

[10]The Industrial Revolution started in England at the end of the 18th century and was spreading into central Europe at the beginning of the 19th century.

[11]German translation: Nachhaltigkeit.

[12]English translation: Forest Economy or Natural Guide to Tree Cultivation; Carlowitz's book popularised the term 'Nachhaltigkeit' making it known to a broader public and introduced the measuring units which established the basis of the scientific evaluation processes in general which were developed in the 19th century in Europe (Thomasius and Bendix 1713/2013, p. 327).

music of the 18th and 19th centuries (e.g., in the Romantic period), particularly into the works of Goethe, Schiller, Herder, and Beethoven (Grober 2012, pp. 66–101; Hentze and Thies 2012, p. 75).

Later, the principle of sustainability was transferred from forest management to other sectors. Despite a shift to fossil fuels during the large-scale industrialisation in the 19th century (Bosselmann 2009, p. 22), a further scarcity of timber and other natural resources ensued. Furthermore, given the ever-increasing need for natural resources, raw materials, and cheap labour required by Europe and the United States, exploitation of natural resources forced these countries to look elsewhere—in the United States mainly to South America and Asia, and in Europe mainly to Africa (Drayton 2005; Dupree 2014; Vinitius 2009). Despite some critical voices including Charles Dickens (1812–1870), the consequences of social and environmental destruction were not viewed as a major problem by western societies up to the middle of the 20th century.

6.2.3 Modern Western Concepts of Sustainability

The 1960s were a turning point for the idea and concepts of sustainability: A number of fundamental developments, including a shift in perspective in particular due to the landing on the moon and pictures of the 'vulnerable' planet earth from space, a shortage of fossil fuels, large-scale environmental pollution, global population growth, and the accelerated process of globalisation, including the fast increase of international communication and transportation, all led to a global re-thinking of man's relationship with nature. Core events at that time were the publication of the environmental book: *Silent Spring* by the American biologist Rachel Carson in 1962 (Carson 2000) and the report: *Limits to Growth* by the Club of Rome (Meadows, Meadows, Randers, and Behrens 1972). Indeed, the latter publication, for the first time, employed the term 'sustainable' in a modern sense (i.e., beyond its environmental meaning) when critically reflecting on how the human race and the planet could survive.[13] These developments had the effect of expanding the term beyond its original scope which was up to then limited to subsistence farming or forest management to encompass social aspects. The classical foresters' conception of sustainability was that economic activities should not destroy the very resources upon which those activities rely. This early understanding was replaced by much broader and less anthropocentric formula of sustainability including not only human needs but more comprehensively the entire preservation of creation as narrated and demanded by the Bible and by creation myths in other cultures (Grober 2012, p. 20).

More specifically, the Club of Rome advised applying a combination of technical solutions, reasonable management of worldwide resources, and an elementary

[13] For clarification, while the Club of Rome *Limits to Growth* report (Meadows et al. 1972) employed the term 'sustainability' in the modern sense, the definition its adopts is based on ancient, medieval, and enlightened concepts of sustainability which encourages mankind to live on the yield, not on the substance of nature.

renewal of the global value system with a focus on long-term economic and ecological stability, as well as immaterial rather than material growth (Grober 2012, p. 159). In this regard, the researchers already foresaw a conflict between economic growth and ecological sustainability. While the Club of Rome clearly preferred environmental preservation to economic growth, the Brundtland Report tried to reconcile the two by creating the term 'sustainable development' (Bosselmann 2009, p. 25; Meakin 1992; United Nations, 1987, p. 95). Yet establishing a reasonable balance between economic activities and the protection of the environment could be viewed as challenging due to the extreme complexity of the globalisation process together with the significant gap in needs which separates the industrialised from the developing world. This resulting complexity is driven by economic and political forces, such as deregulation, international co-operation and integration, opening of planned economies, such as the former USSR, the appearance of new competitors, such as Brazil or South Africa, rapid technological development (particularly in the fields of electronic communication and transport systems), as well as worldwide socio-economical, and socio-cultural changes.

To further convolute matters, the Brundtland Commission's definition with its proposed aim to harmonise the interests of both economic development and the ecological environment kept the concept of sustainability very vague, thus helping to create several different definitions of what sustainable development could actually be interpreted to construe. The Rio de Janeiro Earth Summit of 1992 made a reference to the triangle of sustainability with its economic, ecological, and social aspects (Meakin 1992). These aspects or principles were later popularised by the phrase 'Triple Bottom Line' (TBL) by John Elkington in his book: Cannibals with Forks (Elkington 1997), which employed the terms: People, Profit, Planet (explained in greater detail below). Even those researchers who agree on the usefulness of this triangular concept disagree on a range of issues associated with its use, including the lack of mutual exclusivity of its components, i.e., the aspects are not necessarily isolated from each other, nor are they potentially complete, e.g., some advocate including prosperity and other aspects as inherent factors of sustainable development. Moreover, the question of what weighting to apply to each of the three points is a further point of contention. Does the overall outcome depend on a sound economic basis? Is ecological sustainability the underlying principle? Or is social justice the assumed basis for the other aspects? Notwithstanding which interpretation is adopted in this hotly debated arena, all related CR concepts combine the common aim to achieve harmonisation by striking some kind of mutual resonance between the various aspects which have been consciously added to the ultimate sustainability equation.

As far as the implementation of sustainability in western countries is concerned, experience shows that at times of prosperity, the social and environmental aspects of the TBL become more dominant, whereas in times of economic crisis, economic aspects of sustainability are given absolute priority. Moreover, possibly reflecting the broad range of current western sustainability definitions discussed above, a comprehensive range of western CR concepts have emerged. The subsequent sections now turn to address the evolving concept of CR in greater detail.

6.2.4 The Development of Western CR

The link between CR and sustainable development is relatively new. The concept of CR developed in the middle of the 20th century in the USA (Murphy 1978, p. 20). In tracing its historical development, Murphy distinguishes four main periods of development. These include the years before 1950s which he terms: The "Philanthropic Era" based on the rationale companies mainly donated money to welfare institutions. According to Murphy, the "Awareness Era" between 1953 and 1967 exemplified a more comprehensive degree of corporate social responsibility. In this era, the book *Social Responsibilities of the Businessman* written by Howard R. Bowen in 1953 is often seen as a milestone initiating the modern period of Corporate Social Responsibility (Bowen 2013; Breuer 2011, p. 20; Carroll 2008, pp. 24–26; Hentze and Thies 2012, p. 84). Bowen states in this book that because companies have an enormous impact on their surroundings, society expects them to take on a corresponding social responsibility and, therefore, exerts a certain degree of pressure on companies (Bowen 2013, p. 21; Breuer 2011, p. 21; Lin-Hi 2009, p. 11; Schultz 2011, p. 20). According to Murphy, the following "Issue Era" between 1968 and 1973 continued the broader CR approach focusing now however on specific responsibility topics, such as racial discrimination or environmental pollution. It was during this "Issue Era" that the modern notion of sustainability and the stakeholder approach (explained in greater detail below) first came into being. Since 1974 the "Responsiveness Era" has taken over with an increasing concern for the practical implementation of CR activities. Based on these developments, the CR concept spread throughout Europe gaining particular momentum in the 1990s (Breuer 2011, p. 20; Carroll 2008, pp. 24–26; Murphy 1978, p. 20).

6.2.5 The Expansion of CR in a Business Context

Parallel to these developments, the economic community became more responsible with respect to CR (Breuer 2011, pp. 22–25). In 1971, the European Management Forum met for the first time to promote co-operation between European and international businesses and develop concepts of responsible management. A further milestone was set, in 1971 by the Committee for Economic Development (CED) in its publication: *Social Responsibilities of Business Corporations* (CED 1971). The European Management Symposium which later became the World Economic Forum (WEF) is a multi-stakeholder forum with roots going back to the 1970s. This non-profit organisation (NPO) brings companies, politicians, society, and other stakeholders together to address global challenges. In the *Davoser Manifest* of 1973 for example, under the premise that the existence of the company is first safeguarded, it decided to promote CR for customers, employees, investors, and society beyond a limited profit orientation focus. Business for Social Responsibility (BSR) is an example of another important NPO which was founded in 1992 offering a platform for CR activities.

6.2.6 Realising Sustainable Development and CSR

There is a close link between the definition of sustainable development and the current western concepts of CR. The United Nations Agenda 21 (United Nations 1992) explicitly mentions the important role which companies play in enabling sustainable development. Agenda 21 for instance, provides numerous examples of how to integrate environmental and social aspects within entrepreneurial activities (United Nations 1992, pp. 168, 293–299).

From 1992 onwards, the idea to strategically integrate sustainable and social aspects within core business activities caught on. A paper published by the EU Commission in 2002 titled: *Corporate Social Responsibility: A business contribution to Sustainable Development* (Commission of the European Communities 2002, p. 1), defining CSR[14] as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities 2002, p. 3). In this definition, CSR is specifically portrayed as a way in which businesses can contribute to sustainable development. Also in 2002, the European Union founded the European Multi-Stakeholder Forum aiming to support and develop CSR (via innovation, transparency, structuring of activities, etc.), particularly regarding the links between CSR and sustainable development (European Stakeholder Forum on CSR 2004, p. 2).

These developments were supported by further progress at national level. In its document: *Aktionsplan CSR* (Action Plan CSR), the German government refers to the strategic nature of CSR as a company tool for managing its core business (Bundesregierung 2010, p. 1). In other fields, such as the social sciences, Vitols defines CSR as a voluntary contribution of the economy to facilitate sustainable development beyond legal obligations (Hentze and Thies 2012, p. 84; Vitols 2011, p. 7).

During the UN conference in Rio de Janeiro in 2012, the role of CSR was again emphasised:

> We acknowledge that the implementation of sustainable development will depend on the active engagement of both the public and the private sectors. We recognize that the active participation of the private sector can contribute to the achievement of sustainable development… (Hentze and Thies 2012, p. 80; United Nations 2012, p. 9).

Since the 21st century, according to Carroll (Breuer 2011, p. 26; Carroll 2008, p. 20), CSR, in its current form, integrates the idea of sustainable development with the TBL principles (noted previously as the term shaped by Elkington (1997) proposing the need to broaden the business aim to encompass not merely profit objectives but also the interests of people and the planet). Since then, the concept has increasingly become an integral part of strategic management in industrialised countries.

Essentially this concept exemplifies the discrepancy between industrialised nations and developing countries particularly clearly: At the core of the discord lies

[14]For clarification, as previously explained, the term CSR is used here merely to preserve the correct terminology employed in the stated citations. We equate this term with the chosen label 'corporate responsibility' (CR) which has been adopted throughout this Chapter.

the fundamental inconsistency that, while the rich industrialised countries are responsible for most of the global environmental problems, the poor developing countries face the brunt of their negative consequences (Breuer 2011, p. 68; Elkington 1997, p. 2; Hentze and Thies 2012, p. 81; Schultz 2011, p. 34).

The Triple-Bottom-Line approach accordingly presents a challenge for companies attempting to harmonise the three aspects of economic, social, and ecological sustainability when striving to create an optimal outcome for a range of stakeholder interests. A key element of this approach is the requirement to intrinsically embed corporate sustainability into company structures and strategies from the planning to performance measurement phases, as well as from raw material extraction to waste disposal (Breuer 2011, p. 69). In this regard, the International Institute for Sustainable Development, proposes seven steps for companies aimed at achieving sustainability including: stakeholder analysis, development of guidelines and goals, implementation plan, supportive company culture, as well as performance standards with appropriate measuring, reporting, and facilitation of internal monitoring processes (International Institute for Sustainable Development et al. 1992, pp. 5–16).

Today, when many western companies address the theme of CR on their websites and in their annual reports, they typically link their intentions with sustainable development. In particular, this tends to be the case with prominent medium-sized family-owned businesses, such as the example of Gerhard Rösch GmbH located in Tübingen, Germany, which produces its textiles in Hungary based on a transparent social and ecological code of conduct (Gerhard Rösch GmbH 2014). Furthermore, for instance in Germany, many committed small businesses also practice what they preach. Some large German companies, such as Daimler, Bayer, or Otto, choose to follow the requirements of the Global Reporting Initiative (GRI) of the UN Global Compact and publish their own GRI-Index analysing economic, ecological, and social indicators relevant to sustainability. More broadly in this regard, in 2014, 8000 companies from 145 countries had signed up as voluntary members of the United Nations Global Compact (Branco 2009, p. 2; Breuer 2011, pp. 101–106; Global Reporting Initiative/GRI 2002; Hentze and Thies 2012, p. 95; United Nations Global Compact 2014). Other important international CR guidelines typically used by western companies include the Eco Management and Audit Scheme/EMAS, ISO 14001, and ISO 26000 certificates (Bundesministerium für Arbeit und Soziales/BMAS 2011, p. 11; Eco Management and Audit Scheme/EMAS 2018; Umweltbundesamt 2018).

6.2.7 Shareholder and Stakeholder Perspectives on Sustainability and CR

Despite the above developments, the concepts of Sustainability and CR have not been completely accepted by the academic and business communities *en masse*. For example, Friedman (1998), a major representative of the neoclassical economic

theory argues that besides the rejection of deception and fraud[15], a company's only responsibility is to generate profit for its shareholders within the current legal and ethical framework. According to him, because managers are agents and not the owners of a company, they are not authorised to spend money on CR activities. He bases his claim on the rationale that the funds required for CR are the property of others for an exclusively economic purpose. In addition, deriving from this logic that CR is a cost to the business, Friedman reasons that the whole concept of CR contradicts the system of free enterprise and private property within which social problems are exclusively dealt with by the state. Friedman's approach is also called the "shareholder" perspective on CR (Branco 2009, pp. 11, 13; Breuer 2011, p. 8; Friedmann 1998). In line with Friedman's perspective, western CR concepts—-particularly in the United States, the United Kingdom, and some European and Commonwealth countries—tend to follow the shareholder approach as reflected in laws and other governance structures (Hansen and Ryan 2006, p. 45).

In contrast, the stakeholder perspective is a more recent line of reasoning. Freeman defines that "a stakeholder is any group or individual who can affect, or is affected by, the achievement of a corporation's purpose" (Freeman 2010, p. vi). According to Lin-Hi (2009, p. 14), there is not one stakeholder approach but many concepts based on a network rationale. The underpinning logic in the stakeholder concept assumes that given the increasingly complex global operating environment, companies cannot hope to be successful in the long run without integrating stakeholder interests with their own business purpose in some concrete way (Branco 2009, pp. 16–20). Based on this rationale, any potential costs arising from CR activities, such as employment, education, training, health, and environmental protection might help the corporation and its surrounding society to become stable, as well as professional (Hansen and Ryan 2006, p. 47) thereby rendering the business more profitable in the long run.

The sheer number of possible stakeholders has led to a differentiation between primary and secondary stakeholders. Yet researchers disagree on who might best be classified into either of these two groups. The restricted version defines stakeholders as all those groups who can greatly influence the survival of the company concerned. The liberal version refers to stakeholders as all the groups affected by the actions of the company (Breuer 2011, pp. 10–12). In the literature, the high complexity of stakeholder management is highlighted by the context-specific, subjective moral and strategic decisions which arise in relation to questions regarding the inter-dependent aspects of the power, the legitimacy, and the urgency of various stakeholder groups (Freeman, 1984; Mitchell, Agle, and Wood 1997, p. 854). Decision-makers face the challenging task of answering these questions when attempting to connect the demands and interests of individual stakeholders with those of companies and society in general. Despite these challenges, much of Continental Europe tends to practice a relatively broad stakeholder approach including aspects such as the community and the environment. This, is frequently expressed in the relevant laws and rules (Hansen and Ryan 2006, p. 46).

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[15] Although theories exist which deny any company obligation of a legal kind, these are not addressed in this Chapter.

From the many attempts which have been made to define CR within the stakeholder perspective, very common models according to Breuer (2011, pp. 81–94) are those presented by Carroll and Buchholtz (2003), Schwartz and Carroll (2003), or Zadek (2004). This Chapter purposefully focuses on the five definitions presented by Breuer (2011, pp. 30–66).

1. The Charity Principle refers to social responsibility addressing humanitarian concerns which lie outside the strategic scope of the core business operations and can be considered philanthropic in nature.
2. The Stewardship Principle is based on the concept of stakeholder management with managers adopting the role of stewards taking custodianship of society. Important representatives with different concepts regarding this approach are Burke and Logsdon (1996), DeGeorge (2010), Kirchhoff (2006), Porter and Kramer (2006), and Robbins (1994). This principle can address both philanthropic and strategic corporate activities.
3. Corporate Social Responsiveness, according to Breuer, refers to the way in which companies react to demands of the Charity and Stewardship Principles. It includes numerous company options for future action, such as those developed by various researchers, including Brammer et al. (2006), Carroll (1979), or Kirchhoff (2006). Again, this concept can address both philanthropic and strategic corporate activities.
4. Corporate Social Performance[16] refers to the analysis and comparison of companies' responsible activities across industries and nations. Researchers investigating this approach include for example: Carroll (1979), Sethi (1975), Wartick and Cochran (1985), or Wood (1991).
5. Corporate Citizenship, according to Breuer, is a term that first appeared in the 1990s. It links the activities of a company to its responsibility for the society to which the company belongs. The concept of corporate citizenship helps companies to improve their relationships with business partners and to develop trust with their stakeholders based on the rationale that it will lead to a good reputation, increased information flow, and security, also with respect to clients and decision-makers. This approach is analysed in greater detail by, e.g., Beckmann (2007), Habisch and Schmidpeter (2008), Jonker et al. (2011, pp. 5–7), Loew et al. (2004), Mirvis and Googins (2006).

Accordingly, Corporate Citizenship can be interpreted to mean that companies shape their environment and take on responsibility via a commitment which goes

[16]The intellectual roots of Corporate social performance (CSP) are quite deep, spanning history, philosophy, legal studies, economics, social science, and more. CSP refers to the principles, practices, and outcomes of businesses' relationships with people, organisations, institutions, communities, societies, and the earth, in terms of the deliberate actions of businesses toward these stakeholders as well as the unintended externalities of business activity. The development of the CSP concept, beginning in the 1950s and 1960s, is important for understanding how CSP is related to other core topics and concepts in business and society/business ethics. As the CSP concept was refined, an earlier term, corporate social responsibility, was incorporated as one element of CSP, emphasising in particular, the ethical and/or structural principles of social responsibility, or business engagement with others (Wood 2016).

beyond the company's core business in areas such as health, education, youth, environmental protection, and culture. Accordingly, in its narrow definition, corporate citizenship can be understood as less strategic than CSR based on the rationale that it addresses how a company *spends* but not how it *earns* its profits.

In short, the overwhelming number of varying interpretations and over-lapping concepts, as well as lack of consensus on their interpretation in both theory and practice can be perceived as rather confusing. Though Breuer's five concepts help to provide an overview, they additionally point to many duplications and inconsistencies thereby underscoring the general issue of the lack of an over-arching CR theory in the Western World. To address this issue many researchers and practitioners develop their own perspective which further complicates the issue. One example of an attempt to integrate various approaches is the proposal by Garriga and Melé who mapped the most relevant CR theories and related approaches. Based on their four aspects of social reality, i.e., economics, politics, social integration, and ethics, they build their four groups of instrumental, political, integrative and ethical theories (for further reading, please refer to: Garriga and Melé 2004).

6.2.8 Relationship Between States and Companies

A key aspect in the realisation of CR comprises the relationship between the state and the economy. Hall and Gingerich (2009) distinguish between Liberal Market Economies (LMEs) and Co-ordinated Market Economies (CMEs). In LMEs, such as the USA and Great Britain, classical economic liberalism with its belief in the invisible hand of the free market prevails. In CMEs, such as Germany, Austria, and other countries in continental Europe, strategic (institutionalised) co-operation between companies, unions, and public finance is dominant. This difference leads to varying approaches to CR implementation. States in continental Europe try to push voluntary contributions to CR in ways not common in LMEs, e.g., by organising competitions encouraging companies to apply e.g., for funding, awards and certifications to help implement their ideas, improve their standards thereby setting example for others to follow (Breuer 2011, pp. 3, 26–28; Hall and Gingerich 2009, pp. 5–7). For instance, a recent German CR project by the "Staatskanzlei"[17] from the Saarland (CSR Sarland 2018) was financed by the European Social Fund (ESF) program of the European Union which supports small and medium-size companies to improve their CR competence. The project addresses the concept of sustainable development in its coverage of issues relating to the market, environment, region/community, management, and employees.

[17]The "Staatskanzlei" can be translated into State Chancellery, referring to the office of the ministerial president of the Saarland, one of the 16 German states.

7 Limitations of Western Sustainability and CR Concepts

While some researchers might be more optimistic that business can serve as a catalyst to enable change in society (e.g., Idowu and Louche 2011, p. 265; O'Riordan 2017), and leverage the resources they invest in a positive to reach new solutions, other researchers are more pessimistic. Nevertheless, all researchers note the inherent challenges in the lack of a uniform understanding of CR, and its evolvement over time making it difficult to determine and measure any specific concrete meaning.

First, difficulties in clearly separating terms, such as the Charity Principle and the Stewardship Principle, Corporate Social Responsiveness, and Corporate Citizenship (Jamali and Mirshak 2007, pp. 244–246; Lin-Hi 2009, p. 12) are noted. This lack of a clear definition complicates its employment as a solution for the issues facing mankind.

Second, CR is often misused. Researchers frequently focus their criticism on the practice of *greenwashing*, i.e., the practice of deceptively creating the impression that an organisation's products are responsible from a social or environmentally friendly perspective. Greenwashing can be explained by the issue that many companies still see CR more as a marketing tool than as a serious responsibility (Steer and Struve 2017) or a route to competitive advantage (O'Riordan 2017). This occurs when a company singles out one sustainability project but refuses to integrate CR strategically into its core operations. To address this issue, some scholars recommend an integrated strategic CR focus and communication related specifically to their core business e.g., their own products and their complete processes, in order to generate an authentic and trustworthy CR response. For instance, Demmerling (2013, pp. 70–73), Galbreath (2011, p. 103), and Öberseder et al. (2011, p. 5) suggest that companies should only adopt and finance the CR activities which are clearly related to and most decisive for their own industry.

Third, current Sustainability and CR approaches are deemed limited due to difficulties associated with fairly addressing or harmonising the interests of the various stakeholder groups in a way that truly promotes responsible solutions, particularly, when some of those stakeholder groups cannot voice their opinions, e.g., nature or future generations.

Fourth, western concepts of Sustainability and CR are limited by existing laws and regulations based on the fact that these have mainly been formulated for large international corporations. In practice however, small and medium-sized companies (SMEs) are strongly affected by CR. As many of them are increasingly becoming global players, it remains a real challenge for them to integrate and realise CR within their organisational processes and their (often limited) financial means. In short, researchers agree that a lot of research remains to be done on this topic (Breuer 2011, p. 7). Demmerling (2013, p. 45) additionally points out that many SMEs and their stakeholders are insufficiently familiar with CR management and/or communication concepts. As a result, CR is often not yet sufficiently visible or not truly integrated into the business operations. Moreover, in this regard, Pech (2007, pp. 146, 148, 150, 190–192) and Tietmeyer (2001, pp. 61–84) supported by Draba (2012, p. 20)

refer to problems which companies might face when they find themselves squeezed between national and international legislation, or in cases of lack of regulation versus over-regulation.

Fifth, Paz-Vega (2010, p. 265) points out that multinational companies operate in a variety of very complex societies and cultures. In this regard, Jones (1999) emphasises the influence of the national social-cultural environment with its institutional structures, as well as the degree of the national economic development on how CR concepts evolve. This broader view of CR encompasses environmental protection, community development, resource conservation, and donations. As a result, a systemic approach to CR is required which recognises the inherent complexity of global business, attempting to concentrate on the unity the interaction between the key elements focusing on “many dimensions; different levels of analysis; various agents; phenomena such as complex causality, equi-finality,[18] and multi-finality; and an obvious conception of the firm as an open system” (Paz-Vega 2010, p. 265). Moreover, Paz-Vega (2010, p. 267) claims that mainstream CR scholarship focuses on western ethnocentrism, which is very likely to require adaptation when applying these insights in a broader international context, e.g., cross-cultural settings with their different environments of beliefs, values, and institutions, as will for instance, become apparent in the African context.

Sixth, Braungart, a prominent representative of sustainability, criticises the existing CR approaches as altogether wrong based on the rationale that they mainly focus on eco-efficiency[19] and not on eco-effectiveness. His own concept of *Cradle to Cradle* tries to side-step the potential conflict which may arise when attempting to balance economic, ecological and social concerns by envisaging a prosperous technological world without any non-degradable waste. According to Braungart, in line with natural processes (bio-mimicry), whatever is produced should either be fully biodegradable or be re-used infinitely without causing any waste. If every country in the world re-structured its economic activities according to the *Cradle to Cradle* concept instead of continuing the current system of *Cradle to Grave* (with *Grave* standing for non-degradable waste), there would be no more waste and no more Carbon Dioxide (CO_2) production. Clearly, such an approach would reduce the current exhaustion of natural resources issue (Braungart and McDonough 2009). It is however also clear that this approach would require an entirely new system and infrastructure for such a concept to be integrated successfully by business.

The various definitions and critical review of the western theoretical solutions to Sustainability, Sustainable Development, and CR which were presented in Part I of this Chapter including many of the related key terms and their underpinning concepts, now form the basis for Part II of the Chapter which investigates their suitability for application or potential requirement for adaptation in an African context.

[18]The term ‘Equi-finality’ refers to the concept that whatever the input, the outcome is the same. The term ‘Multi-finality’ means that the same input can result in different outcomes.

[19]Eco-efficiency focuses on the reduction of waste, while eco-effectiveness aims at developing products without any waste which generate positive side-effects.

8 The Development of Sustainability and CR in Africa

8.1 African Perspective on Sustainability and the Ubuntu Ethos

African subsistence farmers have lived sustainably and in harmony with nature for thousands of years (Abdulai 2015, p. 430). As the continent was so sustainable for a long time, there was no real need to develop any specific concepts of sustainability or CR until very recent times. This situation began to change with the start of the "Scramble for Africa." At the Berlin Conference, in 1884–85, European countries divided Africa into a "quilt" and turned it into their fiefdoms[20] in their effort to utilise, rule, and control the continent's rich natural resources and manpower. Numerous western companies established themselves during that time and are still operating in these territories today, in particular for instance, in the mineral and oil sectors. While from an isolated economic perspective, they are successful, the collective negative social and ecological consequences of these activities are not taken into consideration. The British exploitation for gold, copper, and coal in Rhodesia (now Zimbabwe and Zambia) in the 19th century, as well as the exploration of oil by the Royal Dutch Shell plc in Nigeria in the 20th century, are examples of how unsustainable a sheer focus on economic expansion can be (Howden 2014; Merriam-Webster 2016; Pakenham 2003; World Development Movement 2015).

This European exploitative approach to Africa forms a striking contrast to the African philosophy of *Ubuntu*. It is an Nguni word from Southern Africa meaning "I am what I am because of who we are". The Zulu translate *Ubuntu* as, "a person is a person through other persons" pointing at the inter-dependency of people from the holistic perspective of humanity and the over-arching connection between every form of life. In this context, *Ubuntu* also focuses on the inter-connectedness of companies with the people and the resources they employ in their value creation processes (Abdulai 2015, p. 433). Overall, there is a strong African belief that no individual stands alone in a strong society (Hansen and Ryan 2006, p. 43; Shuttle 1993, p. 46).

8.2 African Perspective on CR

This *Ubuntu* concept of citizenship can easily be applied to corporations in Africa, based on the rationale that they can be interpreted as somehow embedded into African society. Within this context, they are therefore expected to fulfill certain social demands, such as ethical behaviour, transparency, commitment, and environmental stewardship (Hansen and Ryan 2006, p. 43). This means that if international companies do not support such CR activities in the individual African countries in which they operate, the effects can generate social and environmental issues and risks

[20] An area of land, in particular one that is controlled and rented or paid for by work.

leading among others to unemployment, poverty, and instability, which will in turn negatively affect the operations of the company (Abdulai 2015, p. 437). Based on this logic it becomes clear that the African perspective of CR determines that there is neither a dominance of economic interests nor a balance between economy, ecology, and social affairs. Instead people clearly take precedence over profits because people are the creators of profits (Abdulai 2015, p. 434). This means that the social aspects of the triple bottom line are dominant from an African perspective and that future systems need to be developed to ensure that the economic and environmental factors are addressed in harmony with social interests.

What does that mean in detail? As noted previously, developing increasing living standards via improved life expectancy, literacy, and decreased poverty rates etc. requires looking beyond mere economic considerations, such as growth in GNP. In his book, *Development as Freedom*, Sen (1999) suggested the need to look at the impact which democracy and political freedoms have on the lives and capabilities of the citizens. In this regard Sen suggests that development consists of the removal of the various types of 'unfreedoms' as Sen calls them, or in other words violations of freedom, which leave people with little choice and little opportunity:

> Sometimes the lack of substantive freedoms relates directly to economic poverty, which robs people of the freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illnesses, or the opportunity to be adequately clothed or sheltered, or to enjoy clean water or sanitary facilities. In other cases, the 'unfreedom' links closely to the lack of public facilities and social care, such as the absence of epidemiological programs, or of organized arrangements for healthcare or educational facilities, or of effective institutions for the maintenance of local peace and order. In still other cases, the violation of freedom results directly from a denial of political and civil liberties by authoritarian regimes and from imposed restrictions on the freedom to participate in the social, political, and economic life of the community. (Sen 1999, p. 4)

Despite many open problems, recent developments including the removal of most of Africa's dictators and efforts to get rid of corruption are all steps in the right direction to address these violations of freedoms.

If we assume that the social components of the triple bottom line are particularly important, then it is its collaborative nature of including various stakeholder interests which deems CR a crucial part of Africa's long-term sustainable development. This however requires a new mindset entailing the effective consultation and incorporation of CR views with the aspirations of the community in which the organisations operate. Within this context, by definition, any decision relating to Sustainability and CR requires a long-term strategic approach integrated with the interests of the inherent stakeholders. A refusal to do so can create numerous challenges for the organisations involved as has been demonstrated by the case with the operations of Shell mentioned previously. The environmental degradation due to their operations in the Niger delta has considerably contributed to under-development and poverty as most of the farmlands and rivers for farming and fishing have been polluted by oil spills (Omoweh 2005, pp. 129–257). To address this matter, in 2012, Friends of the Earth, an environmental group, and four Nigerian farmers took the oil giant (Shell) to court in the Netherlands to seek compensation for pollution in the Niger

Delta (Smith-Spark 2012). This example indicates that to avoid the re-occurrence of such negative impacts on society and the environment, companies operating in Africa might generate a more favourable impression if they take the *Ubuntu* ethos seriously and include the needs and concerns of communities and countries in addition to their economic interests. Presumably the lesson learned by Shell and other companies involved in such issues serve as opportunities for corrective action to reminding corporate decision-makers to include a more positive impact on society and the environment in their calculations when investing their resources going forward. By concentrating on stakeholder responsiveness, solutions to social issues can be linked with the planning activities of corporate strategy.

8.3 Shareholder and Stakeholder Approach in an African Context

Seeking to implement the *Ubuntu* principle into the corporate strategies of African companies raises a number of issues including the fundamental question of whether western theoretical models can be applied at all in an African context, or at least how far they might have to be modified in Africa. First, Africa exhibits a distinct set of differences in factors rarely found in Europe, including: economics, politics, cultures, languages, tribes, and religions which have in the past played a role in contributing to instability and conflicts on the continent (Visser et al. 2006, p. 13). As a result, questions such as how to connect oppressive regimes and transparent governance, economic empowerment and social investment, job creation, and environmental protection, have to be dealt with on a suitably profound level in Africa[21] and cannot merely be directly copied from the approach adopted in the western world.

To address the inherent complexity, any CR concept aimed at contributing to sustainable development in Africa has to focus on the *Ubuntu* principle, which can be interpreted as a form of stakeholder approach. To be effective, such CR programmes should no longer be externally driven, i.e., mainly by global shareholder concerns with their major interests in market access, investment incentives, standardisation, and supply chain issues, to mention a few. CR programmes which appeal to external players but are inconsistent with the practical realities on the ground neglect the stakeholder perspective, and are therefore bound to be unsustainable. For instance, such programmes operating from the outside can spark public protests as demonstrated in the example of the Marikana miner's strike at the Lonmin mining company near Rustenberg, South Africa, in 2012, which resulted in 34 miners being shot dead by police. 78 people were wounded and 250 people were arrested (South African History Online 2015). Accordingly, if CR is not effectively applied, the accompanying social instability and environmental destruction can affect the viability and sustainability of the operations of a company. To circumvent these risks,

[21] To deal with African issues, according to Visser et al. (2006), complexity theory, holism, chaos theory, and spiral dynamics might include suitable approaches.

when formulating their strategies, effective organisations respond to their operating environment in ways which are critically aware of the internal pressures and dynamics in the host country, as well as within the communities in which they operate without losing their *raison d'être* as businesses. In this regard, simple prescriptive propositions, such as the examples suggested by Freeman and Reed (1983) including: generalizing the marketing approach to include the needs of each stakeholder in a similar fashion to the way customer needs are evaluated; establishing negotiating process to understand the political nature and interests of key stakeholders; develop a decision-making approach that is pro- rather than re-active; and allocate organisation resources based on the degree of importance of the environmental turbulence; serve as potential guidelines.

Consequently, we propose the need to re-define the vague term "CR" or "CSR" to adapt it to an African perspective of responsibility focusing on corporate responses in which companies regard the countries in which they operate as their home (Abdulai 2015, p. 432). Moreover, this stakeholder-based approach can best operate when it includes the demands of mainly national, regional, and local government authorities, local suppliers, international companies, and NGOs. This definition requires companies in Africa to strategically integrate sustainable development into their action plans which they have worked out and implemented in partnership with the local communities concerned. African governments can play an important role in supporting such investments by providing the necessary legal framework, infrastructure, and financial incentives (Abdulai 2015, pp. 432–435). Via this proposed approach, the relationship between the state and the economy progresses towards a system of co-ordinated market economies (CMEs) which prove successful at integrating the stakeholder approach. In this way, all forms of CR definitions, including Corporate Citizenship, Corporate Social Performance, Corporate Responsiveness, Corporate Governance, etc. can develop and support the implementation of the African-specific CR approach. For instance, South Africa is an example of a country in which the stakeholder approach is becoming of increasing importance (Hansen and Ryan 2006, p. 48). Evidence of this development can be seen, for example, in the integration of sustainability indicators into important political and financial documents, such as the Johannesburg Stock Exchange/JSE Socially Responsible Investment Index/GRI Index (2004) or the *King III Report* (Institute of Directors in South Africa/IoDSA 2009).

8.4 From Zero Sum Philanthropy to the African Philosophy of Ubuntu

So far CR activities in Africa can be interpreted to have been of an archaic, paternalistic, philanthropic nature mainly focused on the narrow interests of achieving corporate profits. As a result, any CR effort of companies acting under the old mindset in Africa can to date be interpreted as 'charity'. Going forward, in order to ensure responsible behaviour, it will be necessary for companies operating in Africa to move

beyond this Charity Principle and focus more on concepts such as Corporate Social Responsiveness, Corporate Social Performance and Corporate Citizenship in line with western CR/CSR concepts as discussed in this Chapter. While the *Ubuntu* principle places particular emphasis on social aspects by definition, its inter-dependent nature can clearly include favourable outcomes in form of broader sustainable development. This can additionally result from the mutual benefits of integrating environmental aspects with the economic interests of companies ultimately leading to longer-lasting profits. In the new approach, rights and responsibilities are connected via a form of corporate responsiveness which is aware of the benefits of including stakeholder interests in the overall business rationale. This approach varies significantly from the traditional logic in which the rights to profits are privatised in favor of the company while the social and environmental costs, such as pollution, inequality, poverty, or human rights abuses are socialised thereby moving the responsibilities to the communities. So far, the financial discrepancy between profits accrued to companies and the low costs of CR-related activities require serious re-consideration. To address this issue, company activities do not only have to be improved in favour of CR strategies, but when sustainable projects are adopted they require a long-term comprehensive perspective (Abdulai 2015, pp. 431, 438–440; Kambewa et al. 2010, p. 218). For example, when, in a sustainable project, the construction of an office building is included, the question is not only how to finance it and profit from it, but also how to keep it occupied with satisfied and healthy inhabitants and maintained in the long run (ibid.).

When researchers, such as Abdulai (2015) and Kambewa et al. (2010) explore ways in which businesses and companies operating in Africa can contribute to the sustainable development of the continent, they propose the requirement for a fundamental change of mindset and the adoption of a totally new paradigm within such companies. In order to avoid future accusations of deception and potential white-washing, this new mindset should be devoid of the past exploitative behaviour of many businesses in Africa, particularly, those multinational corporations which, so far, have been operating on a win-lose paradigm where the foreign business reaps all the benefits and the Africans lose out in the mistreatment of their resources. Instead, the *Ubuntu* concept suggests that this new way of doing business is not a zero-sum game in which one party loses when the other one wins but that instead, the outcomes of the connections between organisations and society can be positive for both. This requires the need for African countries to view the companies operating in their respective countries as partners. Based on the rationale that an unhealthy business environment will adversely impact any development effort, to achieve sustainable development the African Government and communities must work together successfully with those organisations.

As demonstrated by the many past scandals, including the treatment of the community and environment by Shell in Nigeria (Zick 2015), as well as the working

conditions (e.g., child labour) and human rights issues in the mines in South Africa[22] (Mining in Africa 2018), and complicated by corruption and the lack of local political, social, and environmental constructs, a key problem for Africa in this transition, is the unwillingness of many transnational and multinational companies (TNCs)[23]. Instead a mindset reset is required which more consequently recognises Africa a market huge potential. This new approach would trigger a shift away from the current dominant shareholder orientated attitude towards the development of a stakeholder-orientated strategic response. The oil sector in Africa is a typical example of exploitation for maximum profit based on undemocratic, corrupt, unsocial, and environmentally destructive conditions (Iyayi 2001, p. 3; Orok 2006, p. 253). A further issue is that the unethical nature of their business operations is frequently condoned by African governments due to the fact of effective social and environmental standards. As a result, most African jobs created by TNCs tend to be low-skilled, low-paid, risky, unhealthy, and transitional (Madeley 2003; Orok 2006, p. 258).

Moreover, although some emerging market countries are gaining ground, there exists an uneven distribution of costs and benefits in today's operating setting of economic globalisation, whereby the Northern countries derive the most benefits while Southern countries mainly bear the financial, social, and environmental burdens (Hirst, Thompson, and Bromley 2009, p. 150; Orok 2006, pp. 251, 259). Accordingly, it comes as no surprise when the turnover of the five largest global corporations surpasses the overall incomes of the 46 poorest countries in the world, most of which are located in Africa. Similarly, the turnover of the top 200 corporations worldwide equals 20 times the combined annual incomes of the 1.2 billion poorest people in the world (Craig 2003, p. 50; Orok 2006, p. 251).

These issues point to the requirement for a fundamental change in mindset not only of the corporate players but additionally of African Governments. Despite the uneven distribution of costs and benefits noted immediately above the capitalist shareholder-orientated ideology with its primary focus on profit maximisation in the exclusive interest of shareholders has nevertheless received a lot of support from many African governments thereby increasing poverty and inhumane working conditions. Moreover, even if African governments wanted to change these conditions, they cannot, as they are forced to compete with other countries for foreign direct investment (FDI) putting them in a weak negotiating position amongst competing rivals. As a consequence, they often find themselves with no other option than to re-channel their financial resources away from extending the necessary basic infrastructure towards supporting prospective TNCs, e.g., in the form of very favorable terms of taxation, lack of price controls, the right to transfer all the profits to foreign headquarters, as well as poor labor conditions. Furthermore, the bribes often given to African governments serve to help them to retain their power when they allow TNCs to exploit

[22]Please note however that the situation is slowly improving: The number of fatalities dropped over the years from over 200 in 2007 to 128 in 2010, and further down to 77 in 2015, due to a constant increase in safety measures.

[23]TNCs (Transnational Corporations) are sometimes called MNCs (Multinational Corporations). In this Chapter we adopt the term 'TNCs' to signify both types of organisational evolution.

African resources, e.g., when developing oil projects in Nigeria or Cameroon (Ndika 2004; Orok 2006, p. 254). These issues can only be changed if the prevalent philanthropic approach moves towards a more effective stakeholder-orientated version of CR based on the *Ubuntu* philosophy. In this regard, Rajak highlights the need for neutral bodies to decide on the collective good within a concept of responsibility. Right now, a predominant philanthropic approach (gift-giving) could potentially be deemed irresponsible based on the rationale that it leaves the recipient in a position of indebtedness, empowers the employer, and weakens the other stakeholders, such as local governments and NGOs. Under such conditions, the economic, social, and environmental problems at community level cannot be effectively solved (Rajak 2006, pp. 191, 195–199).

8.5 Future Role of the Private Sector in Transforming to Ubuntu CR in Africa

A strengthened stakeholder approach and African-driven solutions necessarily mean that the role of the private sector in Africa definitively has to be strengthened. Depending on their size, companies have a key function in bringing together key stakeholders on local, regional, and national levels to work on reasonable, feasible, and African-driven solutions. This is even more important given the issue that many African countries exhibit corruption or face the situation in which the state has totally failed at providing the infrastructure and the social and environmental framework typically available in functioning circumstances.

As mentioned before, many African governments neglect human needs. Thus, African companies—even those which do not ‘officially’ meet international guidelines and CR benchmarks—play a decisive role in providing healthcare, food and water supply, education, security, taxes, and income, as well as to a lesser degree human rights and environmental protection (Hayes 2006, p. 94). Such aspects should not only be part of all organisation’s CR concept for operating in Africa but, based on the rationale that unhealthy workers in a destructed environment can never work productively, nor can poor customers and an insufficient infrastructure make real sales possible, they additionally play a key role as a core requirement for profits.

A potential first step could focus on the provision of basic requirements such as access to food. Once an agreement on business activities has been reached between the key stakeholders, a key responsibility of the private sector is the provision and access to acceptable/appropriate goods, such as for example the production of sufficient food and other relevant commodities in the interests of the local society. In this respect, a major hurdle is the current state of the African processing industry which lacks marketing, product quality, knowledge transfer, and finances. Furthermore, structural challenges exist with respect to the supply chain. Such deficiencies could yield the wrong variety and quantity of produce and product; low quality; insufficient reliability and late delivery, insufficient cooling, obstacles due to customs and lack of

or inadequate certification. In addition, cultural obstacles, such as life philosophies, or business inexperience, including the potential lack of co-operation skills regarding business transactions may hinder progress. Differing time perceptions could also complicate matters, e.g., the fact that the life of many African people revolves more around the present than the future (Hooft 2006, pp. 217–219).

A key aim for the African economy going forward has to accordingly focus on gradually closing the gap between African production and the requirements of western retailers. This process industrialises the continent and raises the overall living standard in African agricultural areas. To achieve this aim, the African economy needs evolve to become more market and consumer- instead of production-driven, i.e., produce should be grown, packed, and shelf-stable according to acceptable world standards. Such changes should also include appropriate consultation by governments, NGOs, and trade associations to be trained in successful export strategies with links to buyers worldwide (Hooft 2006, p. 214). One positive example is certified fair trade, such as the organic fresh-cut pineapples sold in the Dutch supermarket Albert Heijn. The business agreement involves the development and certification of 70 African farmers and their pineapple production (Hooft 2006, p. 216). Another positive example is *Cotton made in Africa (CmiA)*, an international project which supports a million African farmers to produce environmentally sound cotton that is bought by clothing companies worldwide (CmiA 2016). Finally, to close the gap between African produce and the requirements of western retailers, the African contribution to agrarian production should not be limited to farming and manual labor outside, but also evolve to include the professional processing of goods leading to new jobs, as well as management positions for African nationals.

8.6 Management Structures of Transnational Corporations (TNCs)

The TNCs can be considered the torch bearers for achieving CR in Africa. Indeed, some are already putting the stakeholder approach into practice on a large scale via their entry into African low-income mass markets. Doing business in Africa in a sustainable way requires a TNC international project manager to be responsible to a wide range of stakeholder groups. This can include engaging with governmental organisations, particularly in the country where the TNC has its local office, as well as with international, national, and regional non-governmental organisations in its own international headquarters, i.e., all their African stakeholders (Boli and Thomas 1999; Egels-Zandén and Kallifatides 2006, p. 82). According to London and Hart (2004), instead of 'westernizing' corporate activities in Africa, TNCs should focus on increased 'social embeddedness' using the strengths of their local surroundings, work with local stakeholders, and thereby successfully deal with their demands. In this process, it is advisable for the international manager to co-operate with local managers on the ground who understand and are in a position to successfully interact within

the local context, e.g., someone who is employed at a local African subsidiary close to the main TNC's business operations in Africa. This approach has been labeled: the dual-project-manager professional system by Egels-Zandén and Kallifatides (2006, pp. 84 and 86).

Within this system, the international manager is responsible for what has been termed: *structural social performance*[24] involving satisfying stakeholders' demands when formulating policies, reports, public statements, and project presentation. In addition, the local manager is responsible for implementing the *social performance output* including: installations, training, recruitment, developing a cost-effective business model, as well as working on a reasonable trade-off between the international and the local stakeholders' demands on the spot. According to Egels-Zandén and Kallifatides, this duality leads "to a hierarchical and geographic separation of the loci of control for the project's social performance" (Egels-Zandén and Kallifatides 2006, p. 87; Mitnick 2000, pp. 419–465). In this approach, the clear aim of the dual-project-manager professional system is to bridge the gap between the local stakeholders and their cultural traditions on the one hand and global standards and policies on the other. To elaborate, in practice, the local manager is frequently inclined to act according to the principle of 'expedient action' with the aim of finding practical solutions to the problems at hand instead of following any fixed moral, political, or other idea of CR. This 'fire-fighting' response can lead to a certain lack of consistency between the required structural social performance and the local stakeholders' demands. This can result in divergence between rhetoric and reality regarding for instance: the inclusion of women, environmental demands, etc. As such, because a demanding task requires the close co-operation between the international and the local managers, Egels-Zandén and Kallifatides (2006, p. 89) suggest that both functions should ideally be merged. Nonetheless, a noted problematic area for both international and local CR managers remains the question of how to reduce corruption and increase local management skills to a degree which ensures reasonable political and economic decision-making which fairly includes the interests of the African people and their environment.

Furthermore, some special characteristics need to be taken into account when doing business in African low-income mass markets typical to the operating scenario in which most African stakeholders operate. Such markets are based on an informal economy with social rather than legal contracts, very limited protection of patents and brands, and a rather unpredictable business environment with unexpected developments (Arnold and Quelch 1998, pp. 7–20; De Soto 2000, pp. 181–189; Egels-Zandén and Kallifatides 2006, p. 84; London and Hart 2004, pp. 350–370). Because these aspects span a broad field of study, it is beyond the scope of this Chapter to elaborate on these characteristics in greater detail. However, given their central importance in developing mass markets, we now turn to address the specific theme of SMEs.

[24]Referring to the requirements of the concept and communication of social performance in contrast with social performance *output* which refers to the results or output in the form of concrete activities.

8.7 Small and Medium-Sized Enterprises (SMEs)

SMEs typically play a more important role as stakeholders in African developing countries which could be leveraged to promote CR stakeholder interests in line with the *Ubuntu* Principle. For example, in Botswana in 2004, there were 70,000 SMEs with less than 100 workers each providing 50% of the private-sector employment, i.e., 150,000 people. These SMEs contribute about 25% of the national GDP (Government of Botswana 2004; Tesfayohannes 2006, p. 236). This means that going forward, instead of spending a lot of money on importing goods, African states could rely more strongly on their SMEs to produce and sell these goods on a local basis.

By promoting entrepreneurship, meeting broad local demands for goods and services, and helping society to transform from an agrarian to an industrial state require development, SMEs are accordingly vital for the indigenous economy and its social structure mechanisms for generating mass employment. However, one serious problem affecting African SMEs is their lack of financial resources. They suffer from debt burdens, liquidity risks, lack of appropriate planning, and technology. A specific issue is the lack of entrepreneurial education in SMEs due to the fact that their work is often regarded as inferior to other places of work. This issue is also partly related to the perceived inferiority of some SME occupations. Moreover, SMEs often suffer from lack of experience in dealing with professional business networking and government assistance programmes (Botswana Institute for Development Policy Analysis Briefing/BIDPA 1998; Tesfayohannes 2006, p. 237). In this regard, because women are an important stakeholder group, they could increasingly play a more important role. However, this is often difficult given local perceptions which can lead to women being stuck in more traditional roles of caring for family and childcare. Assuming that these changes are possible, if SMEs could gain access to sufficient funds and knowledge, they could be important players in realising CR practice based on the *Ubuntu* philosophy.

9 Final Considerations

9.1 Conclusion

Triggered by the serious developmental challenges faced by the African continent which the SDGs address, including in particular poverty eradication, education, industrialisation, health, and environmental protection, this Chapter traced the development of western concepts of Sustainability and CR to investigate their suitability and relevance for achieving the SDGs 2030 in an African-specific context. Following the principle: Live from the yield and not from the resources, sustainability and sustainable development were presented as key solutions for mankind's future survival. Focusing on the African context, the previous exploitative European approach to Africa highlighted in this Chapter was noted to stand in striking contrast with

the African philosophy of *Ubuntu* "a person is a person through other persons" or "I am what I am because of who we are". The qualitative review, which was based exclusively on secondary data, established the rationale for the recommendation to consider a new African concept of CR emanating from the practices inherent in the *Ubuntu* approach. Emphasing the inter-dependency of people from the holistic perspective of humanity and the over-arching intrinsic relationship between every form of life, the *Ubuntu* approach was proposed as the fundamental basis for a future African CR concept. The rationale for this choice is based on the *Ubuntu* focus on the inter-connectedness of companies with the people and the resources they employ in their value creation processes (Abdulai 2015, p. 433). Overall, because *Ubuntu* expresses the strong African belief that no individual stands alone in a strong society (Hansen and Ryan 2006, p. 43; Shuttle 1993, p. 46), it is deemed a particularly suitable approach from which to develop responsible response strategies by governments and policy makers, as well as corporations. Consequently, we conclude that following the cultural value dimensions inherent in the *Ubuntu* philosophy on the African content can contribute to meeting the SDGs 2030.

Our critical evaluation of the new SDGs 2030 from an African perspective concludes that the cultural and other differences between the CR approaches in Africa and the West presented in this chapter are essentially not explicitly addressed in the SDGs. Nevertheless, the broad scope and frequently inter-related nature of many of the SDGs (in particular relating to the themes of poverty eradication, education, industrialisation, health, and environmental protection, for instance), highlights their crucial salience for Africa. As a result, while all of the SDGs can be deemed relevant in identifying a solution to sustainable development in Africa, only Goal seventeen concretely states its relevance for developing countries. Additionally, by highlighting the key significance of partnerships when implementing sustainable solutions with its focus on the aim to "Revitalize the global partnership for sustainable development", goal seventeen is most directly linked with the holistic inter-connectedness inherent in the *Ubuntu* philosophy. More specifically Goal Seventeen states:

> Urgent action is needed to mobilize, redirect, and unlock the transformative power of trillions of dollars of private resources to deliver on sustainable development objectives. Long-term investments, including foreign direct investment, are needed in critical sectors, **especially in developing countries**. (United Nations Sustainable Development Goals 2018)

Furthermore, the aims stated in goal eight are also deemed particularly salient in the quest to solve the African dilemma via achieving the SDGs 2030. Goal eight focusing on progress at the grass roots level of the people states:

> Roughly half the world's population still lives on the equivalent of about US$2 a day. And in too many places, having a job doesn't guarantee the ability to escape from poverty. This slow and uneven progress requires us to rethink and retool our economic and social policies aimed at eradicating poverty. A continued lack of decent work opportunities, insufficient investments and under-consumption **lead to an erosion of the basic social contract underlying democratic societies: that all must share in progress**. The creation of quality jobs will remain a major challenge for almost all economies well beyond 2015. Sustainable economic growth will require societies to create the conditions that allow **people** to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent

working conditions are also required for the whole working age population. (United Nations Sustainable Development Goals 2018)

Given the resources and size of the African continent, a prerequisite for achieving the SDGs on a global scale will require that governments, policy-makers, and corporate decision-makers pay active attention to all seventeen SDGs (and their related eight MDGs) when considering Africa. The authors reason that the new *Ubuntu* approach proposed in this Chapter facilitates a practical, and applicable response to the SDGs 2030 suited to the particular context of the African environment and culture. In practice this implies that the strategies of governments and policy makers, as well as the Corporate Responsibility of business in Africa can contribute to meet the SDGs 2030 if they are adapted to suit the cultural value dimensions inherent in the *Ubuntu* approach.

Finally, the examination of the applicability of western sustainability and CR concepts presented in this Chapter leads to five specific conclusions for achieving sustainable development and thereby meeting the SDGs 2030 on the continent:

First, because the western concept of sustainability had been practiced by large parts of the African population up to the 20th century (mainly in the form of subsistence farming), there was no real need in the past for the development of a particular Africa-specific concept for sustainable development or CR-specific practices. Since the onset of African industrialisation which started much later than in Western countries, this is now changing in particular in light of globalisation. This means that a new corporate response for sustainable development to meet the SDG requirements is now required for the African continent.

Second, given the very different historical, economic, political, social, environmental, and cultural framework specific to African states and their people, the Chapter set out to address the question of whether western sustainability/CR/etc. theories are applicable. If at all, the authors propose that current philanthropic company efforts, i.e., the Charity Principle and the Stewardship Principle, need to evolve towards the stakeholder approach. We further suggest that concepts such as: Corporate Social Responsiveness, Corporate Social Performance and Corporate Citizenship at the moment appear to best fit to an African-specific concept based on the rationale that they lie closest to the African philosophy of *Ubuntu*. To further develop and support the implementation of the African-specific CR approach a transformed corporate mind-set is required supported by clear Corporate Governance. This new approach would replace the current zero-sum concept with a new corporate attitude in which the interests of all relevant stakeholders involved, including the African communities strongly affected by business operations are regarded. Given that social and environmental aspects are so strongly linked in Africa, within the TBL concept, social concerns are clearly promoted, and environmental issues are additionally given more priority in the future.

Third, at all levels, both locally and internationally, in order to continue reaping the profits, TNCs have to finally become accountable not only exclusively for their economic interests, but additionally more inclusively for the social and environmental implications of their operations in developing countries. We propose that a CR

stakeholder approach based on applying TBL principles via the *Ubuntu* philosophy to the seventeen SDGs could help African countries to optimally achieve sustainable development.

Fourth, on a practical level, evolving to the new form of inclusive corporate responsiveness, the SDG-focused responsibility outlined in this Chapter has serious implications for both African, as well as international companies. Within Africa, because African states often fail to function optimally, the private sector plays a very special role, particularly SMEs, in promoting sustainability and CR. The challenge for TNCs on an international level remains to bridge the gap between local cultural traditions in Africa and global CR standards and policies. To meet this challenge, the dual-project-manager professional system noted previously might prove successful.

Fifth, this Chapter has shown that when doing business in Africa, decision-makers have to be aware of the extreme complexity and uniqueness of the setting, particularly regarding social and environmental concerns. One cannot automatically blame business for all the global problems. The reasons may lie on a more fundamental level. However, the main argument in favour of adopting CR practices based on SDGs is that, in a world with weakened nation states, particularly in Africa, and growing international corporations with huge financial means have huge potential to effectively deal with some of these global problems.

This Chapter concludes that by inclusively taking all stakeholders‘ concerns into account, the African *Ubuntu* concept of CR could offer an African-specific solution to solve African problems. To address the complexity of the African-specific context, the authors advocate that Africa’s challenges can best be mitigated within a future framework of efforts and solutions closely connected with the concept of sustainable development based on the SDGs 2030.

9.2 Outlook

There are two key arguments for why sustainability/sustainable development, the SDGs, and CR practices in Africa could become even more important in the future: First, given the extremely difficult circumstances for the majority of the population, in line with the concept of *Ubuntu*, social issues are by far the most important on any CR decision-maker’s mind in Africa (Hayes 2006, p. 95). Second, while concern for the environment is currently relatively low on the African agenda, going forward it should be given more attention for a variety of reasons, including the nature of the African continental economy, the relationship between poverty and the environment, as well as between the link between social well-being, health, and the environment.

Implementing a future stakeholder approach in line with the SDGs 2030, will require a review of the recommendations offered by African institutions and networks. For instance, to address the challenge of corruption, which is strongly inhibiting African progress towards CR, the *Commission for Africa’s report from 2005 entitled: Our Common Interest* suggested that a pre-condition for increasing overseas trade should be improved internal governance in Africa. They highlighted the

requirement for ECAs (Export Credit Agencies) to demand high government standards as a prerequisite for receiving loans, guarantees, or insurances. This report includes further recommendations, such as facilitating vocational and tertiary education with incentives for students not to locate elsewhere following the completion of their studies but instead to stay and work in Africa. It also mentions that property rights, ownership of assets, money, and markets in Africa should be given to the African stakeholders, as the report notices a development of inter-African trade networks (Commission for Africa 2005, pp. 87, 151, 181, 257, 305). A further approach suggests strengthening African control of multi-national TNCs in order to gain power over African financial resources (such as taxes, etc.) which could be channeled towards solving social and environmental problems in co-operation with African governments and civil society (McIntosh 2006, p. 264).

Despite these recommended improvements, the question nevertheless remains whether corruption can at all be effectively addressed. Notwithstanding this challenge, stakeholders in Africa and around the world, particularly international consumers and NGOs have become more powerful due to the constant improvement of information technology and communication systems. As a result, global activities and related mistakes of companies are already quite transparent and will be even more so in the future. The increasing pressure posed by these developments by the international stakeholder public can take the form of boycotts of certain products, as in the case of Nike (Breuer 2011, pp. 1, 6; Lin-Hi 2009, p. 11). Even for the individual stakeholder, in particular Web 2.0, with its possibilities to actively use the Internet (Weblogs, Podcasts, Social Networking Sites, etc.) is already playing an important role in this context. This means that going forward, given the immediate access of consumers and other stakeholders to pressure groups, the stakeholder influence and their frequently critical stance of global, social, and environmental problems cannot be underestimated.

When addressing the demands of stakeholders, such as NGOs, consumers, pressure and other groups, in order to demonstrate concrete and calculable CR, companies increasingly use professional reporting methods based on the triple-bottom-line approach (Orok 2006, p. 255). In that way, companies can become more attractive by improving their reputation via demonstrating to their stakeholders how they not only focus on their economic interests of profit-making but additionally take social and environmental concerns into account. This trend is also true in an African context.

Nevertheless, attempting to be sustainable and practice CR remains a complex task because even with the best of intentions, something can always go wrong. The release of Nile Perch[25] into Lake Victoria is only one example of how good ideas of CR can turn into a disaster when sustainability aspects and the perspectives of experienced stakeholders are not properly taken into account (Kambewa et al. 2010, p. 228; Smith, Bhattacharya, Vogel, and Levine 2010, p. 4). Influencing forces such as globalisation and climate change pose further complications. As the globalisation process becomes increasingly more dominant, the role and responsibility of both

[25]The introduction of the Nile Perch, a giant food fish, into Lake Victoria contributed to the destruction of native fish populations, the environment, and living conditions of the local population alike.

TNCs, as well as indigenous companies becomes prevalent, particularly with regard to avoiding the mistakes which foreign companies can make when doing business in a totally unknown environment. Climate change is another reason why the promotion of African-specific CR practices in favour of sustainability is so pressing. Because Africa has high levels of poverty, a very special geography, a particularly vulnerable climate and a poor infrastructure, climate change is threatening Africa to a larger degree than other continents (McIntosh 2006, p. 265). Its effects have so far been most strongly felt in African countries and are related, for example, to a lack of water security on a continent where two thirds of the rural and one quarter of the urban population already lack access to safe drinking water (International Institute for Environment and Development/IIED 2005; Intergovernmental Panel on Climate Change/IPCC 2001).

This Chapter could be the starting point for further in-depth field research in Africa and other continents. Subsequent research of different indigenous and international companies operating in a variety of African countries could yield insightful data via case studies of how CR works in practice and how African companies in different industries and countries not yet applying CR can be supported in its implementation. Within this context, future research should find and analyse the reasons why the many approaches mentioned in this Chapter have not yet been realised. With regard to the implementation of CR in Africa, competition related to the special case of the Chinese and their strong business interests in Africa triggers questions relating to how such business operations can strengthen or inhibit the spreading of sustainability. Such questions, as well as the climate change issues noted above clearly require special investigation. In this context, the further, more general question arises of how the competing interests between companies, countries, and individuals can be leveraged to help instead of hinder sustainable CR in Africa in general and how specifically these issues influence Africa's contribution to meeting the worldwide UN SDGs 2030.

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Knowledge Transfer in the African Construction Sector: The CSR and Sustainable Development Nexus

Oluwasegun Seriki

1 Introduction

Ask any African about the impact of Chinese investments in the African construction markets and you are likely to get a broad range of answers, ranging from applause to criticisms and outright contempt, particularly regarding the contribution of their construction activity to sustainable development on the continent. Although Chinese contractors within African markets lay claim to be doing all they can regarding CSR in the so-called win-win construction projects, doubts still trail their business operations in the emerging African construction sector particularly about commitment to sustainable development. The perceived failure of the firms to transfer construction knowledge to Africans over the short and long term will prove detrimental to the development of the continent and sustainability of its growth. The inquisition into the CSR and sustainable development nexus with knowledge transfer is fast becoming a topical issue in academic research circles. Authors such as Hester (2008), Yuan and Yang (2009) among others have described knowledge transfer as processes involving the movement of knowledge and ideas between the sources and potential utilizers of that knowledge. Knowledge transfer means moving knowledge from one person (a knowledge reservoir) to another, and this is made possible via communication and training (Wee et al. 2014). The implementation of CSR is becoming less negotiable within African markets, with growing interests around the topic as a key performance indicator for the development and sustenance of a viable construction business enterprise. Chinese contractors, who hold the largest market share in the African construction market will need to pay attention to this side of their business to ensure sustained competitiveness and relevance on the continent. A considerable portion of African

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countries is currently in a state of disrepair, with only a few countries yielding the benefits of democracy, social and economic development.

The African construction market has recently enjoyed enormous amounts of foreign direct investments (FDI) from China, and it is estimated that thousands of Chinese workers have moved to Africa to engage in business, agriculture, infrastructure development and large-scale production manufacturing (Blume and Grill 2008). However, there is no obvious link between the increased FDI and subsequent presence of Chinese infrastructure investment on sustainable development, particularly in skills and knowledge. The gap between what the skilled Chinese engineers and artisans know and what is passed on to their African counterparts is vast, and will not only lead to a dearth of skills over the long term, but it would also mean over-dependence on foreign expertise for the provision of critical infrastructure. The realisation that failing to transfer knowledge in construction has a negative impact on the image and long-term sustainability of Sino-African partnerships in infrastructure development, and has led to an increased emphasis on transferring knowledge to Africans in construction. The process involved is commonly referred to as 'knowledge sharing' or "knowledge transfer", and is broadly understood to encompass the exchange, transference and application of skills and knowledge between project stakeholders.

Evidently, Chinese infrastructural investments on the African continent are well thought out; ask any Chinese investor about their CSR strategy and one may meet unexpected responses. Some will not even know what is meant by "CSR strategy"; some may have thought out how they can link their business investments to the so-called "win-win" for Africans. However, it is highly unlikely that CICCs will have any of their plans linked to sustainable development outcomes. Particularly, the methods and concepts for the implementation of CSR for sustainable development are contentious, with constraints based on perspectives and viewpoints. While sustainable development is easily recognisable, focus on sustainability has been limited, erratic, incoherent, non-systematic and peripheral. The need for this kind of research is particularly acute in parts of resource-rich Africa, where the Chinese investors currently operate an infrastructure-for-resource model, making it a proper investigation for empirical research and the development of policy framework.

The implementation of corporate social responsibility (CSR) is widely accepted as a major criterion for evaluating the commitment of firms to sustainable development and critical to the sustenance of a viable construction business enterprise (Lou et al. 2011; Othman and Abdellatif 2011). As a consequence, Chinese contractors, who hold the largest market share in the African construction market of the need to align their activities with CSR for sustainable development and benchmark it against international standards. However, are these CSR initiatives concerned with the transfer of knowledge to the largely unskilled and young African workforce, particularly in construction? In this chapter, we examine some of these approaches and the extent to which they can be seen as contributing to sustainable development, as well as long-term benefits and effects of knowledge-transfer driven CSR implementation on competitiveness, and provides recommendations on how Chinese firms should integrate CSR into their strategic plan and responsible business operations.

2 Chinese Business Operations in Africa: The Nature of Construction Activity and Context

Several studies on CSR in Africa, particularly on the operations of Chinese contractors in Africa have predominantly concentrated on business outcomes and increasing competitiveness, without linking them to sustainable development. This may be considered as one of the primary reasons why Africa still suffers from human developmental issues, despite its wealth of resources and workforce. Chinese international construction companies (CICCs) in Africa have moved to the forefront as one of the major contenders in the global construction market among competitors from the U.S., U.K., Japan, and several European countries (Low and Jiang 2003). Their continued dominance is evident in Africa, and as the market expands, the numbers of contracts awarded to CICCs have exploded with projects involving significant financial transactions and technical complexities (Chen et al. 2007). This expansion has led to serious criticisms, due to the perceived resource-driven partnership between China and Africa. French (2005) highlighted that Chinese trade with Africa has more than tripled since the early 2000's, with Africa exports to China increasing from 7% in 2003 to 87% in 2004 (United States Department of Commerce 2005; Financial Times 2006). Although Chinese contractors claim to be doing all they can to being socially responsible, mixed reactions still largely trail their activities in the emerging African construction sector. Lu et al. (2009, pp. 166–176) documented a case of criticisms to Chinese construction activity in China by citing an example of a building conference held in Africa, where some stakeholders noted that Chinese contractors send not only managerial staff but also construction workers to overseas projects. In doing this, they have reduced the number of Africans that can be employed on a project and leads to implicit assumptions on the part of Africans coupled with the fear of exploitation.

On a first-hand basis, the author has also observed that several instances of working visiting Chinese construction sites located in Nigeria for example, had many of the technical equipment used in construction labelled in Chinese. The language barrier presents a restriction to local labourers and even skilled personnel from gaining knowledge of how to use this tools/equipment. Knowledge is reputed to be a crucial resource for organisations, and its orderly transfer and reuse is key to attaining competitive advantage (Argote 1999; Spender and Grant 1996). In sustainable development terms, the transfer of knowledge across construction projects allows members of a project team and stakeholders to exploit and leverage valuable lessons learned (Almeida and Soares 2014) and encourages management innovation (Holt et al. 2015). Thus, it is expected that CICCs should reflect their commitment to sustainable development via the contribution to the development and improvement of the African communities through appropriate knowledge transfer activities.

3 CSR and CICCs in African Construction Markets: Scope, Context and Evaluation and Contributions

To put in a bit of context, it may be appropriate to first link CSR with sustainable development, and its nexus with knowledge transfer. Referring to the work of (Dahlsrud 2008: p. 7), CSR is defined as "… *a concept through which firms are equipped to integrate social and environmental matters in their business strategy and their voluntary interaction with their stakeholders*". The author further considered companies that are socially responsible to be firms who show their commitment to contributing to the sustainable economic development of the community in which they do business, its employees and their families, and the society as a whole, and are working hard to improve their quality of life (Dahlsrud 2008). Dobers and Halme (2009) also posit that CSR is grounded in the position that stakeholders in businesses are engaged in a contractual relationship with other interests in mind including social, economic, cultural and environmental systems. Thus, it is supposed that the interests held by parties' influences their business activities in the society. This is essentially true for Sino-African partnerships in construction, which has a strong economic dimension, but so far has primarily focused on environmental and diplomatic concerns. Beyond the economic and strategic aspects, there has been less emphasis on the sustainable development centred ideas, particularly on knowledge transfer.

In the business context, understanding and managing the common interests of the firms and the client country may be of utmost importance (Dobers and Halme 2009), however regarding linking CSR to sustainable development outcomes, knowledge and its transfer is critical (Seow 2012). This is particularly important for the construction sector, which may suffer from critical skills shortage and loss of expertise if the knowledge needs are not systematically addressed to ensure sustainability in the industry. Also, understanding the extent to which knowledge is transferred, the effectiveness of the transfer process, and its underpinning constraints are of importance. One of the defining issues about Chinese infrastructure investments in Africa over the last decade has been the number of research focused inquiry into its CSR implementation processes and its consequent contribution to sustainable development. While many studies have highlighted CSR regarding corporate citizenship and sustainable development (Tang and Li 2009), it is no longer new for expectations to perspectives demanding that corporations fulfil their social roles and deal with social problems that governments have failed to solve (Matten and Crane 2005). Since Chinese firms are responsible for the larger part of FDI and resource-for-infrastructure deals in Africa, it will not be inimical to assess their business based on engagement in social issues, with the belief that such engagement is an essential duty as prescribed by Mele (2008).

In their research work on CSR, Fergus and Rowney (2005) link sustainability, which includes stable development and the conservation of desirable social values and institutions as being socially responsible while Jones et al. (2006) associated knowledge sharing and transfer with social responsibility. In another research work, Kuhn and Deetz (2008) argued that CSR should be concerned more about preserving

the environment and natural resources for long-term growth and since the emergence of the climate change activism, this form of CSR has been predominant in research, particularly in construction. In developing countries, it is claimed that the need for CSR is more pronounced due to the lapses in social provision and governance (Dobers and Halme 2009) and construction firms face heightened requirements and expectations to fill those gaps (Baughn et al. 2007). However, concerning research work done around studies of CSR or sustainable development in the context of China and developing countries or transition economies in Africa, little academic work has been done so far.

The scope of activities extent of knowledge that should be shared or transferred as a CSR initiative is subject to debate; however, modern definitions of CSR highlight three pillars of economic growth, ecological balance, and social progress (WBCSD 2007). Within the context of construction, CSR is expected to address social issues as it relates to human resources, such as personal development training, skills and dynamic competencies among others.

4 CSR Performance of CICCs in African Construction Markets

In many African countries, CSR as a policy or concept is relatively at its basic level both regarding knowledge and execution in many regions where Chinese contractors are currently actively conducting their businesses, although they own the larger share of the African construction market. Despite the seeming dominance of Chinese contractors in the African construction market, anecdotal evidence suggests that some enterprises are still very unfamiliar with the concept of CSR. This has become an issue of concern for Chinese contractors, and this has prompted the Chinese International Contractors Association (CHINCA) to launch renewed efforts at promoting social responsibility in construction markets as evidenced by the publishing of the yearly Social Responsibility report of Chinese International Contractors (can be obtained online at www.chinca.org).

There have recently been renewed efforts by Chinese foreign contractors, having seen a reason for fulfilling social responsibility especially in the Chinese International Construction industry, which has recorded a huge turnover and with more than 50 Chinese International Contractors ranking in the ENR top 250 contractors in the world concurrently (ENR Construction 2014). There has thus been much scrambling over developing a better self-image and responsible business outlook for Chinese contractors, therefore making the performance of CSR duties an area of increasing interest. CSR activities are now considered to be a key means of development transfer and sustainable development. However, most Chinese contractors have not seen the process of fulfilling social responsibility as an obligation to the society but often view it as a means of upgrading their overall competitiveness and in turn a means of seizing more opportunities in the African market (Shenying 2011). More

and more Chinese international contracting firms have begun placing more value on worker's right protection and establishing an overseas project quality management system in a bid to be able to compete effectively with their western competitors, who have dominated the market in times past. Although there is widespread agreement about the importance of transferring knowledge into action, the research and practice landscapes are less well developed. The use of knowledge transfer methods such as skills training, equipment use guidance, technological capabilities for African construction workers is rarely reported in the literature. At the time of writing, there is no empirical study detailing knowledge transfer initiatives by international construction firms, particularly Chinese firms, to African construction employees. As a result, the evidence for knowledge transfer interventions by CICCs is sparse and largely based on anecdotal evidence or assumptions. Essentially, the drivers, enablers and barriers to knowledge transfer as a tool of CSR in construction is not clearly documented within sustainable development research in Africa, justifying the need for this type of inquisition.

5 CSR in Relation to the African Populace

In the African context, CSR is shrouded in mystery and often clouded with claims that the concept is a 'western-imposed agenda' (Visser and Tolhurst 2010). Although, due to the impact of the media, China's activities within the African continent are considered predatory and neo-colonial, with frequent reference to terms such as 'invasion' of the continent, influencing local attitudes and behaviours toward Chinese investments (Park 2009). Muthuri (2012) posits that CSR in African terms is synonymous within the domains of colonialism and conflict and can be viewed at three major levels:

(1) Macro-level: from the viewpoint of Africa's colonial and neo-colonial past.
(2) Meso-level: from the standpoint of being a moral obligation of businesses towards the development of the African society.
(3) Micro-level: from the perspective of an affirmative action to alleviate historical economic exclusion.

The meso-level of CSR forms the basis for the argument in this chapter as outlined by Chung (1987, p. 125) who outline that: "*Businesses operate in a society that offers them the opportunity to make profits. In return, they have the obligation to serve societal needs. This obligation is called social responsibility*" (cited by Idowu and Papasolomou 2007). This view can be likened to the societal view of social responsibility proposed by Harrison (1997), who stated that firms should do more to promote activities that are in the collective self-interest of society in which they operate. It must be made clear, however, that several of the contracts signed by Chinese firms are lowly priced and sponsored by the State-Owned Banks in China, and CSR is often considered insignificant or relatively impossible. Thus, CICCs need to pursue alternative means of improving community interaction between

themselves and the local African, with knowledge transfer providing a feasible and workable way to achieving same.

6 Nigeria as a Case Study

Nigeria attained the position of Africa's largest economy in 2014, recording Gross Domestic Product (GDP) of $509 billion (Dw.de 2014) and rapid growth in its construction industry that earned it the reputation as a "global hotspot until 2020" (Mondaq.com 2014). In 2016 alone, Nigeria enjoyed over $80 billion in investments from China alone in 2016 (Financial Times 2016) and the country has been one of China's top destination for foreign direct investments. Although China has a considerable presence all over Africa, Nigeria has become a strategic investment location of some sort, partly due to its resource-rich nature and diplomatic alliance with China. These peculiarities have strengthened Nigeria's position as a critical trade partner and a top destination for Chinese construction investment, and this is the basis for choosing the country as the study location for this inquiry. Although the Government of Nigeria attempted in 2009 to pass legislation to make a minimum level of philanthropic CSR contributions mandatory for businesses in the country. The bill proposed the establishment of a commission, which will undertake professional duties of providing standards, integrating social responsibility and international trade issues, conducting research, brokering partnerships between businesses and local communities and ranking of organisations according to their CSR initiatives (Chandranayagam 2009). Nigeria is one of the few countries that has been able to pass such a bill regulating Corporate Social Responsibility (CSR) to address sustainable development issues, and foster inclusive economic growth, hence making it an ideal destination for conduction the research.

The construction industry plays a crucial role within the Nigerian economy contributing a total of 662, 431.53 NGN Million at the end of the fourth quarter of 2018 (Trading economics 2019). Across the world, the construction sector holds a reputation of being prone to volatile revenue fluctuation and being cyclical in nature (Yee and Cheah 2006), with the Nigerian construction sector particularly controlled by investments from foreign partners and donor funded infrastructure projects. Fluctuations in the construction sector occurs frequently, usually caused by emigration of skilled labour during periods of contraction in the sector and leading to fragility in the sector. Exploratory research into the relevance of knowledge—especially tacit knowledge—to sustainable development has been recorded by few researchers within construction and development studies (Al-Roubaie and Alvi 2014; Wee et al. 2014). However, the strategic role which this form of knowledge plays in developing countries in Africa is relatively underexplored. Nigeria, being Africa's largest economy still comes behind in identifying roles and issues around knowledge transfer related contributions via its construction investments.

7 Research Methodology

This study adopts a blended methodological approach to data collection, utilising an initial qualitative meta-synthesis of literature about CICC and construction knowledge transfer and concurrently drawing on data from a quantitative survey of CSR conducted on CICCs operating in Africa. Qualitative meta-synthesis is an intentional and coherent approach to analysing data across qualitative studies (Walsh and Downe 2005). The process enables researchers to identify a specific research question and then search for, select, appraise, summarise, and combine qualitative evidence to address the research question. This process uses rigorous qualitative methods to synthesise existing studies to construct greater meaning through an interpretative process.

The quantitative data used for the study were collected focusing on general themes of CSR, including knowledge management and transfer and how CICCs implemented same in projects in Africa. Only the knowledge transfer and sustainable development related themes of the questionnaire and reported in this study and used for analysis. The data was gathered electronically using online survey software, *SurveyMonkey* (for African respondents i.e. *Survey I*) and *SoJump* (for Chinese respondents i.e. *Survey II*). To ensure reliability in the data collected, the process was streamlined to necessitate homogeneity and comprehensiveness (Alreck and Settle 1995). This was particularly important in the case of the Chinese respondents, and the population was selected in such a way that it gave a true representation of professionals that were directly involved in CSR activities and construction projects in Africa. In this investigation, purposive sampling techniques were used as a non-probability sampling tool targeting participants based on the population characteristics and the objective of the study (Akadiri and Fadiya 2013). Purposive sampling techniques are used in selecting a sample that represents a broader group of cases as closely as possible or to set up comparisons amongst different types of cases on a certain dimension of interest (Teddlie and Yu 2007).

The target population for *Survey II* were top Chinese officials of different CICCs who have projects in Africa including China State Construction and Engineering Company, CSCEC; China Railway Corporation, CRCC; CITIC Construction Company Limited and China Communications Construction Company Limited amongst others. The personal information of respondents is kept confidential and may not reflect the overall perspectives of the firm in which they are currently employed. Utilising a blend of meta-synthesis review of the literature and quantitative methods for the study is due to the nature of Chinese investments in Africa, which are usually highly confidential and inaccessible to researchers. It was therefore impossible to obtain data otherwise at the time of the study. The author acknowledges this as a limitation of the methodology and gave due diligence to ensure that the study was void of any personal bias or errors. The goal of using this technique is to integrate research into CSR in the Chinese context, and interpret findings of personal and previous research studies and transform the findings into new conceptualizations and interpretations.

The data was collected over a period of 16 weeks with a total of 120 responses to *Survey I*, with 6 responses removed as void due to being incomplete (totalling 114 valid responses). *Survey II* targeted managers of construction firms in China who agreed to be a part of the study, and the firms surveyed were chosen from CICCs in China who had head offices in Beijing and active projects in Nigeria. Only senior officials in these firms were surveyed, totalling 20 respondents. These officials had advanced knowledge of the CSR strategy of their firms, with knowledge of ongoing project strategy on the African continent at the time of the study. The study location used for this inquiry does not necessarily represent that of the entire African populace. The author, however, notes that Nigeria, being an economic and power leader in Africa, is reckoned to be adaptable in understanding CSR performance of CICC's across Africa.

8 CSR, Knowledge Transfer and Sustainable Development Nexus

The results in Table 1 shows that Chinese firms are perceived to focus largely on environmental protection rather than knowledge transfer. This is expected since China has pollution as one of its principal problems as evidenced by the high level of smog and air contamination in its cities (Council on Foreign Relations 2014). This has made many of its local construction companies place a huge emphasis on sustainability and environmental protection. However, it becomes an issue of concern that CICCs just simply reproduce the Chinese CSR model and apply it directly to the African communities, without prioritising and checking to see if African communities experience the same problem as the Chinese regions. Findings from Table 1 shows that African respondents admit that CICCs have been doing relatively well in site safety and workers welfare, portending a good sign in terms of employee outlook and welfare. However, their knowledge transfer activities are considered suboptimal, although the table highlights that they perform well in employee training activities. This view is confirmed as genuine and evidenced in the training and re-training of local staff that are employed in most CICC firms in Africa, and even some businesses have been reported to send workers abroad for training in China (Foreign Policy 2015).

Knowledge transfer ranks 5th in the perception index of CICCs by African respondents which can be considered to be an average approval rating. This opposes an earlier report by Chen et al. (2009), who reported that Chinese firms import a large number of workers from China in their business, due to lack of professional skills by African workers. The argument here is that, since CICCs are perceived to be environmentally conscious and committed to sustainable construction as shown in Table 1, what restricts them from doing likewise regarding knowledge? There is insufficient empirical data to affirm or disprove that CICCs do not transfer knowledge, but at what scale and to what extent? Thompson (2005) documented Chinese exchanges

Table 1 Current CSR activities and rating of CICCs by African respondents

CSR theme	Rating average	Ranking/perception index
Environmental protection	2.42	6
Educational development	1.92	11
Health services/infrastructure provision	2.34	8
Youth empowerment	2.41	7
Knowledge transfer	*2.66*	*5*
Employee training	2.73	4
Local arts and culture promotion	2.09	10
Site safety and workers' welfare	2.80	2
Sustainable construction	3.31	1
Financial assistance to communities	2.03	9
Use of local labour, building materials and construction equipment	2.74	3

with countries in the Horn of Africa regarding equipment and technical assistance, but there was an evident lack of commitment to transferring knowledge to the communities who purchase the products. The Chinese firms were only committed to the sales and training of operational knowledge of the equipment, but not how to they are made or how they can be repaired or optimised (ibid.). Thus, from the numerical representation of knowledge transfer by CICCs, it becomes hard to say that these firms are actually committed to knowledge transfer. Infact, the numerical representation shows that Africans perceive CICCs to have some pseudo-commitment to knowledge transfer rather than being fully involved in it.

Seeing that there exists no current benchmark or standard of evaluation for comparing knowledge transfer CSR initiatives of CICCs, another proxy that can be used for analysing knowledge-related CSR is how much of the local workforce they employ in their firms locally in Africa as employed by Chen et al. (2009). Understanding this will help in gaining insights about the effectiveness of knowledge exchanges between current Chinese professionals and the African populace. Chen et al. (2009) stated that Chinese construction firms "… employ an equal number of Chinese and local workers". Our study found a similar view on employment of local labour, as reported in Fig. 1.

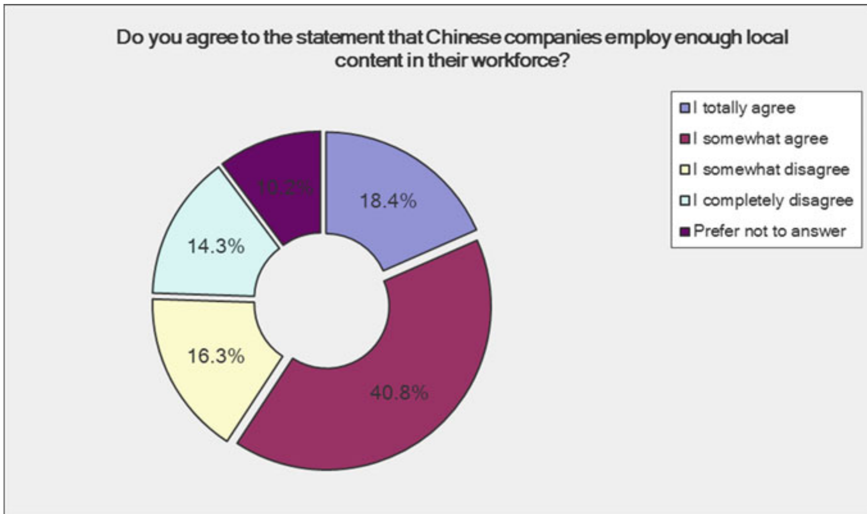

Fig. 1 CICCs and employment of local labour in workforce

With several African countries having unemployment rates exceeding 25%, employment of local labour force (both skilled and unskilled labour) and involvement of local content in overall work structure of international construction firms is a key concern to African people. Due to the weakness of the structure of several local African educational institutions, with the inability to equip graduates with sufficient skills needed in engineering, science and other professions that require skilled personnel, most foreign investors are prone rather to import skills from their home country. The figure above shows that CICCs are perceived not to be an exception in preference to import skilled labour as stated by Chen et al. (2009), due to lack of trained personnel locally in Africa. Almost a third of respondents believe Chinese contractors do not hire enough local content in their workforce.

Since construction work is usually labour intensive and cannot be fully automated, and most civil engineering related work needs able hands to perform duties before (Quantity surveyors, land surveyors, project managers etc.); during (civil engineers, mechanical engineers, equipment operators, masonry specialists, carpenters, ironmongers, welders, office staff, accountants etc.); and after (scenery designers, appraisal personnel, commissioning engineers, maintenance personnel, contracts officers etc.) the project. Thus, it is evident that current CICC initiatives in employing members of the African populace into the workforce are still viewed with scepticism. Chen et al. (2009) argued that Chinese labour was more expensive, thus bringing to the fore questions as to why CICCs keep using these workers rather than training and equipping local African workers to perform the same duties.

Bearing in mind that CICCs are perceived to be in the African construction markets for good, and in the long term, this section is important to clearly outline the expectations for future action from Africans regarding the CSR activities of CICCs.

This will help CICCs to strategize on how to use CSR activities in meeting the short and long-term developmental goals of the African communities and use this to improve their business in the process.

From Fig. 2, it is evident that Africans are concerned about the issues related to local workers who work at CICCs, with issues such as site safety and workers' welfare, employee training and knowledge transfer has topped the areas where the respondents recommend for urgent future action by CICCs. Respondents believe CICCs have underperformed in these knowledge driven areas (since knowledge and training drive site safety), and they need to start giving back to the society, firstly through their African employees and later extend these CSR activities to the public at large. Some CICCs have been accused of hoarding knowledge and technical know-how, especially regarding engineering skills and construction methods, with most of the software used by most CICCs written and functioning in Chinese (Mandarin) language, and African employees find it almost next to impossible to learn this software. Also, most of the on-site equipment instruction manuals and tutorials for work tools are written in Chinese, and most African employees who are illiterate in the Chinese language, are at a disadvantage in learning and development. This also hampers knowledge transfer from many senior Chinese engineering and construction personnel, who have gathered years of knowledge in the industry, and should be responsible for mentoring of younger African trainees. However, since these workers cannot communicate this knowledge in English, French, Swahili or Arabic, which are the most predominant languages in Africa, there is a stalemate in knowledge transfer and training.

Education and educational support systems are areas where respondents outlined for recommended future action by CICCs, hence CICCs should endeavour to provide support for schools either through provision of knowledge tools or increasing the number of students granted the current China Scholarship Council (CSC) Award, a fully funded scholarship for foreign students who want to study abroad in China.

9 Challenges with the CHINCA MODEL for CSR as Mandated for CICCs

In the course of this research, it was understood that individual firms have their personal tailor-made CSR strategies but there are local governing bodies that monitor the activities of most contractors and the most prominent amongst these is the CHINCA (China International Contractors Association). CHINCA is the strongest and most viable association and standards agency recognised by many Chinese international contractors, and it coordinates and controls the activities of Chinese foreign contractors, publishing several standards for conformity for its members. One of the popular guides in use, which is particularly related to CSR called the "Guide on social responsibility by Chinese contractors", which highlights six (6) major areas of emphasis for CSR performance by CICCs (EMM Network 2017). This guide outlines areas of

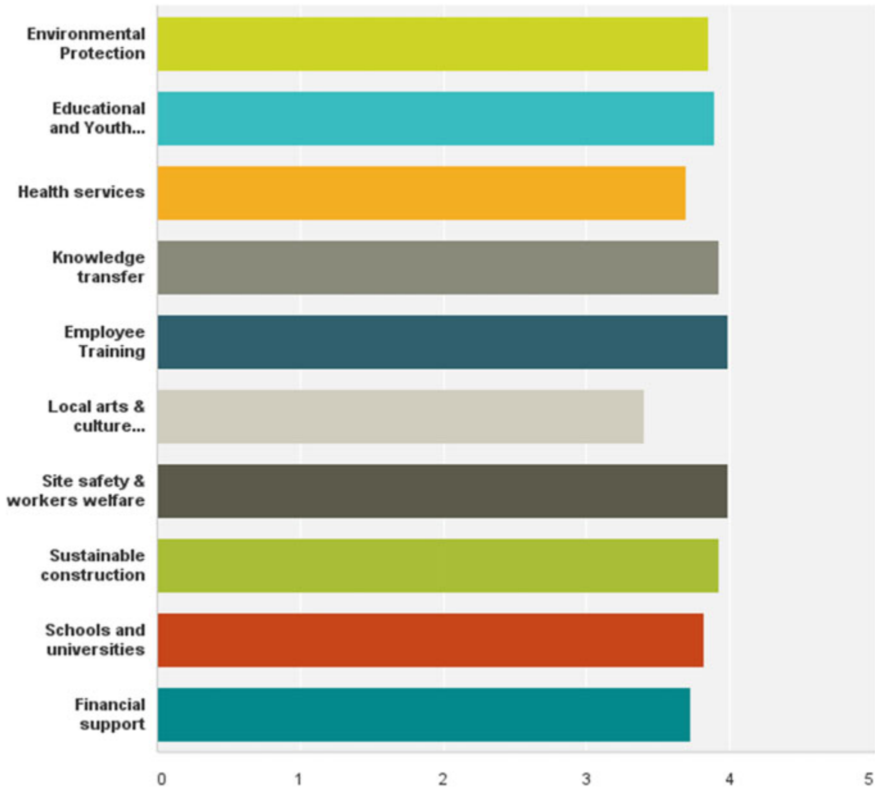

Fig. 2 Future forecast of CICC activity in Africa

CSR focus for Chinese firms, and we sought to evaluate how CICCs have performed on the guidelines issued in the document. Their responses are presented in Table 2.

Findings from Table 2 shows that CICCs rank community engagement and development as their lowest area of performance in the CHINCA guidelines. Evidently, community involvement and development is the only non-business-related metric outlined in the CHINCA guidelines, leaving it relegated and largely unattended among the other business-related metric. It is not abnormal for firms to implement CSR only in areas that bring financial or image-enhancing value, hence the focus of CICCs on more income-generating metrics.

The CHINCA model used by many Chinese contractors as a benchmark for CSR does not reflect the perceptions of African people about CSR. With community engagement and development ranking least on the CICC perception index, there is an obvious disconnect in the areas where the Chinese contractors should be channelling their CSR efforts. While the respondents who are recipients of CSR rank employee training and knowledge transfer as the areas where they would like to see more activity and investments by CICCs (see Fig. 2), the contractors clearly have

Table 2 Current CSR strategy appraisal/evaluation by CICCs

China International Contractors Association (CHINCA) highlighted six (6) major areas of mandatory CSR as outlined in the "Guide on Social responsibility for Chinese International Contractors". In your firm, which one (s) of these major highlights do you consider as a strong point in your business's CSR activities?

CHINCA outlines	Rating average	Ranking/perception index
Quality first	6.65	1
People oriented	5.90	3
Environmental protection	5.60	4
Fair Business operations	5.60	4
Customer focused strategy	6.00	2
Community engagement and development	5.40	5

different priority. Thus, there are disparate opinions on what CSR efforts should be focused. Chinese contractors are more concerned about improving the quality of construction work done on the continent and customer satisfaction, while the recipients of the CSR investments want more training and increased knowledge transfer. These findings which may be referred to as the "*CSR investment disconnect*", which lies between what the firm hopes to achieve as a means of CSR and what the recipients of CSR activities really want. Chinese contractors and other foreign construction firms operating in Africa need to recognise that they cannot "force" preconceived CSR initiatives on the communities where they have projects but should rather engage the people. Furthermore, they will need to continue to review their CSR priorities till they reach a middle ground, and all major stakeholders are satisfied i.e. the CICCs and the African communities.

10 The Future of CICC CSR Strategy: Knowledge Transfer and Sustainable Development Nexus

In addition to identifying how CICCs currently approach their CSR strategy, the meta-synthesis of literature also revealed that issues with components of knowledge transfer could be arranged into five elements. These components were identified by Ward et al. (2009), and they are listed as:

1. Identification and communication of the main knowledge issues;
2. Knowledge/research development and selection;
3. Analysis of context for knowledge transfer;
4. Specific knowledge transfer activities or interventions; and
5. The utilisation of knowledge.

In this work, a sixth dimension has been added to the above listed by identifying key barriers to the knowledge transfer process in African communities, identifying why knowledge transfer initiatives have not been successfully implemented—if any.

10.1 Knowledge Transfer: Identity, Classification and Communication

The first step in designing a knowledge transfer strategy as part of CSR will be identifying what kind of knowledge needs to be transferred. This sort of needs assessment is crucial to the achievement of knowledge transfer objectives and is often aimed at identifying opportunities to improve knowledge resource efficiency as described by Adams and Comber (2013). The UNTCAD (2014) also stipulates that identifying knowledge gaps enables proper representation of the differences in technological and innovation capabilities between developed and developing nations. Identifying this gap in knowledge is considered as a useful starting point for informed policy action. When the gaps in knowledge have been properly outlined, then CICCs may be encouraged to set in place mechanisms to ensure that knowledge moves from their experienced workforce to the African workers. Once knowledge transfer is effective, innovation will be promoted. However, there may be challenges with capturing the extent of knowledge transferred statistically.

Communication is a fundamental element in the knowledge transfer process, and Cohen and Levinthal (1990) highlighted that the success of absorption of new knowledge would, in part, depend on the relationship between the unit in possession of the knowledge and other units that support that unit. Construction firms must provide linkages and support to communication flows from the contractors to the rest of the organisation, for the realisation of knowledge initiatives. Also, contractors must work hard on communication skills and techniques that will enhance the flow of knowledge within their project teams in Africa. Some firms may need to provide knowledge materials in local languages, to foster communication between the Chinese workers and African workers, ensuring that knowledge exchanges are sustained. CICCs also need to create a conducive environment for knowledge communication and include this in their strategic plans to enhance the sustainability deliverables in CSR.

10.2 Selecting the "Right Kind of Knowledge" for Transfer

Africa lacks technical skills, and this type of "hard skills" are needed on the continent. Several institutions on the continent already teach theoretical knowledge, and there is a need for a more hands-on knowledge approach, particularly in construction. Sastararuji and Wottrich (2007) identified that skills related to the development

of employees' capabilities and potential in management, IT, foreign language and business were essential for employees in developing countries.

According to the African Economic Outlook (2015), the population in Africa is expected to rise to over 2 billion inhabitants by 2050, and to be able to effectively harness the power of this enormous population, knowledge transfer for inclusive growth needs to be a top priority. Thus, international construction firms operating in Africa need to explore opportunities for the continent's growing population by identifying competitive skills and placing them high up the agenda for transference. Current knowledge must be transferred to Africans, barring time and process obstacles, through study opportunities or apprenticeship models.

10.3 Knowledge Transfer, Knowledge Economies and the Sustainability of Work

Transferring knowledge to Africans portends significant benefits to the development of Africa over the long term, as more knowledge would lead to higher income and better opportunities. A better skilled Africa will also see increased innovation and reduction in emigration, allowing workers to be retained on the continent and contribute to the development of their home countries. When African workers are equipped with the right skills, more jobs will be created as more workers will be needed as managers. The availability of jobs and corresponding skills to fill the jobs will ease economic fears of jobs being lost to the Chinese workers or labour market being flooded with foreigners. The demand for African trained personnel will also rise, as the highly skilled workforce is in demand globally.

10.4 Barriers to Knowledge-Driven CSR Activity in Africa

The CSR-driven knowledge transfer process as outlined in this work can serve as a basis for the identification, analysis and exchange of knowledge, yet the process faces its peculiar challenges. Based on the results of the survey of managers at CICC firms headquartered in Beijing, the following issues barriers may occur in three major forms:

(1) barriers erected by the knowledge-holders (CICCs or international construction firms) or
(2) barriers erected by the knowledge-takers (African workers) or
(3) barriers erected by the business environment.

Figure 3 highlights the results as recorded from the Chinese managers, pointing out the main obstacles to CSR implementation in African construction markets. The figure shows that Chinese contractors admitted *cost*, to be a major challenge for CSR implementation. Apart from budget-related matters, most of the firms do

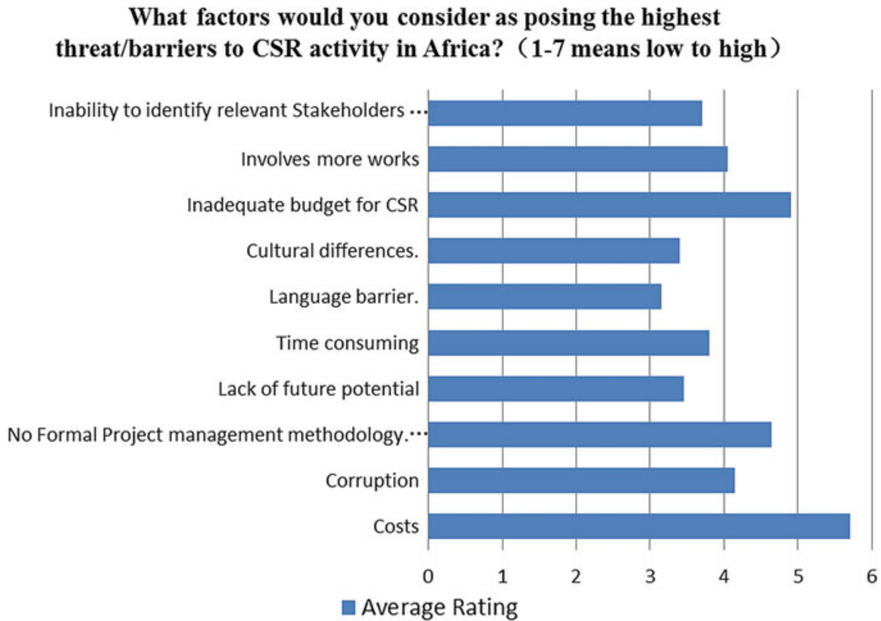

Fig. 3 Problems/barriers of CSR performance

not have any defined or formal project management methodology that addresses the issue of CSR. Chinese construction is usually operating on a low-cost, high-efficiency delivery basis and this method is targeted at getting the job done at all cost, with emphasis only on minimising costs and maximising profits—yet delivering on time. CICC experts, therefore, believe that incorporating CSR into the kind of project management technology may be a major challenge. They also outlined that incorporating CSR into their work will consume more energy and will also be time-consuming. Time and cost are critical to construction projects, and if CICCs were to choose to implement CSR activities in their project schedule, they would need to dedicate more time, personnel and resources to same. Incorporating this may require a complete overhaul of their current methodology and may even demand the recruitment of CSR consultants or knowledge experts, incurring more costs and overheads.

Managers at the CICCs also pointed out that the inability to adequately identify the relevant project stakeholders is a challenge in their future CSR outlook in Africa, as it is usually the case. Typically, in projects in Africa, contractors should deal with so many project stakeholders—both official and non-official ones—and this usually appears frustrating to business owners, who get fed up with the number of people to whom they are responsible. The lack of a defined structure in most government and private sector systems often makes it nearly impossible for a contractor to know all the relevant stakeholders in a contract. In projects run in Africa, different interest groups and supposed local associations, who are usually interested in bribery and

extortion make unreasonable demands from contractors, with some even threatening to disrupt work on the site. Thus, if CICCs were to implement knowledge transfer in their CSR strategy, to "whom" should these duties be performed? The workers? The community? Schools or educational institutes? Government officials? There needs to be a delineation of recipients of knowledge transfer initiatives in CSR.

Another obvious challenge is the problem posed by cultural differences and language barrier. Although cultural matters are often no challenge to Chinese firms as they can adapt to any culture within record time, it is still something worthy of note. Most CICC workers are usually able to learn and master the local language of the country where they have projects within a short period. Hence issues related to cultural adaptation and language are the least of the barriers to CSR of CICCs within the African continent. It is, however, important to note that the list of obstacles/weaknesses as outlined in the study is not an exhaustive list and not all the barriers are covered in this work.

11 Conclusions and Recommendations

11.1 Conclusions

African governments and think tanks should plan to strengthen and standardise the knowledge transfer infrastructure for the continent and accompany same with policy and infrastructure investments. The following conclusions are drawn from this investigation:

Perception is key
The perception of the contribution of knowledge transfer to sustainable development should be similar on both ends of the spectrum, i.e. the investors (Chinese contractors in this case), and the recipients of the construction investments (Nigerians in this case) must hold similar views on the important nature of transferring knowledge on projects. Aya Pastrana and Sriramesh (2014) outlined that perceptions are critical to the delivery of strategic CSR initiatives, strengthening the argument for proper alignment of perceptions between CSR actors. Although Chinese contractors identified quality-related metrics as an area of priority for CSR investments, the African respondents think otherwise. These differences may be due to the language barriers or cultural differences that affect the way CSR activities are perceived. There needs to be a convergence in perceptions to ensure that there are no CSR activities that get "lost in translation". While African respondents rated knowledge transfer very high in the activities they would be interested in seeing implemented by CICCs; the latter are operating based on their country prescribed CHINCA model, which is too broad and general.

Knowledge transfer is costly but critical
Findings from *Survey II* showed that Chinese contractors perceive CSR initiatives

to be expensive and less profitable, yet it is essential for sustainable development. Evidence exists from a few studies about how importing human capital is cheaper than sending personnel to be trained abroad (Grogger and Hanson 2013), yet the goal of sustainable development is not to take the less expensive route but the one with long term benefits. Hence, with the aid of technology, the costs for transferring knowledge can be reduced and policies devised to build bridges between the local workers and trained expatriates who work on the African continent.

Actors/stakeholder identification and collaboration
The Chinese contractors identified that knowing the right stakeholders to transfer knowledge to is critical to their success in African construction markets. The findings from *Survey I* also highlighted that Africans want more investments in the education of the young people, with investments in schools and universities in tandem with knowledge transfer (see Fig. 3). It becomes crucial for investors in the construction sector to channel their knowledge transfer initiatives via institutions of learning and target knowledge sharing and exchanges with colleges and universities on the continent. This will, in turn, translate into the development of the youth and help them fulfil their social obligations to the society.

12 Recommendations

Institutionalisation of knowledge transfer in construction policy is necessary
There should be an institutionalised policy for the inclusion of knowledge transfer initiatives in CSR mandates for infrastructure deals, not only for CICCs but all construction contractors carrying out projects within African communities. Firms must present a document showing CSR and knowledge transfer commitment/plan as one of the pre-qualification criteria for awarding major construction contracts. Knowledge transfer proposals can be requested as part of the bidding process for contracts. In addition, CICCs and State-Owned Enterprises (SOEs) who have construction business interests in Africa must identify specific areas of need in for knowledge transfer in each different African country, and then design a tailor-made CSR practice for that country.

Monitoring and evaluation
Standardised knowledge transfer assessment and appraisal milestones, possibly checked on a quarterly basis on projects with specific targets set for attainment during the project lifecycle. Setting up of a CSR compliance committee in the construction regulatory body that enforces standards as outlined by the International Standards Organization (ISO), Social Accountability International (SAI) and other local social responsibility standards bodies, with incentives for compliance should be encouraged. Should this be implemented properly, the knowledge gap will be bridged systematically and foreign contractors would be incentivised to recruit local talents on their projects.

Research and development

Establishment of knowledge transfer and research centres at universities in Africa, to explore and develop innovative ways of using knowledge as a corporate social responsibility tool for sustainable development. Staff training, CPD, and other research focused activities should also be integrated into construction business strategy, as a means of ensuring employees get trained on new knowledge. Regular research into knowledge transfer performance by construction firms should be conducted, with dedicated staff members devoted to CSR innovation and management.

13 Limitations

This study has some limitations, which may be seen as potential avenues for future study. First, we could not elicit responses from CICC offices on the African continent, because those working in the offices in Africa are not authorised to speak to researchers on behalf of the company. Future research should get a first-hand view of CSR from practitioners who are on the ground in Africa and working in on the continent. Second, our sample is relatively small (114 participants). Therefore, the implications of this study will be limited to the viewpoints of these sample size, and may not be easy to generalise. Future research should expand the sample to include a larger sample size. Despite these limitations, the study presents fresh insights into the theoretical and practical aspects of knowledge transfer contributions to sustainable development via CSR activities of construction practitioners on the African continent.

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Sustainable Energy Security for Nigeria Through Innovative Financing Mechanisms

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1 Introduction

Sustainable electricity supply is inevitable for the economic, social and political development of any country. Since the establishment of the first utility company under the name Nigerian Electricity Supply Company in 1929, Nigeria has been grappling to establish a sustainable electricity supply framework. The major transformation occurred in 1972 with the merging of the Electricity Corporation of Nigeria (ECN) with the Niger Dam Authority (NDA) to form a new entity called National Electric Power Authority (NEPA). NEPA was the only organisation vested with generating, distribution and transmission of electricity in Nigeria until 2005 and electricity supply management was purely based on monopoly. The electricity supply under the management of NEPA was characterised with epileptic power supply, inadequate investment on procurement of new equipment and poor management. Due to the precarious situation of the power sector, decisive action was taken to privatise it in 2005. Hence, the unbundling of the sector into generation, distribution and transmission companies was undertaken. The expectation was that the privatisation would lead to efficient and effective delivery of electricity supply.

Contrarily, more than ten years after privatisation, electricity supply is still poor with end users having to pay more for the service. Confirming the state of electricity supply in Nigeria, Kojima et al. (2016) show that the available generating capacity

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of less than 6000 MW represents about 55% of the total population of Nigerians who have access to electricity. Furthermore, the World Bank Doing Business Report of 2017 identifies factors that have contributed to the state of electricity in the country to include liquidity issues, poor project implementation, difficulty in attracting investments due to the harsh operating/business environment, poor regulatory framework (especially with tariff and stalled investments). This suggests the existence of an investment gap in the sector. Therefore, to overcome these challenges, there is a need for more investments in the sector to fill the supply deficit identified. Investors will be willing to invest if they know that they can recover their costs and earn attractive returns on their investments with the least amount of difficulty. Other factors noted by Antonio et al. (2015) that economies need to put in place as done in advanced countries include maintaining a viable financing system for the sector, creating a conducive operating environment that will attract a wide range of funding sources (most especially, the private sector) and having the political will to carry out the reforms. Accordingly, if these factors are not in place (or only partially in place) there will come a point in time when the budget of the country is unable to sustain measures put in place to maintain and keep the power sector in existence.

The electricity auction and the forfaiting financing models are two market models identified to be capable of attracting investors and reducing cost of borrowing. This leads to effective price discovery process in the electricity sector (Beck 2010; Busse 2014; Daube et al. 2008; Ivashina and Scharfstein 2010; Martínez and Flatow 2015; Rudnick 2009). Consequently, the present study on one hand assesses the electricity auction model using Chile (a developing country) as an example. This is because of the success recorded by Chile in the implementation of the model (Rudnick 2009). On the other hand, forfaiting financing is also examined because it has been shown to be a cheap source of financing capital projects (Busse 2014; Ivashina and Scharfstein 2010). Thereafter, the study attempts to see how a combination of the electricity auction and the forfaiting financing models can be applied to the Nigerian electricity sector.

This study is divided into five sections of which this introduction is a part. It gives the background to the study while setting the issues within the scope of the research. Section 2 gives a brief background of the power sector in Nigeria. Section 3 examines the auction and the forfaiting models. Against the background of challenges facing the Nigerian electricity sector, Sect. 4 discusses the applicability of the two models to the Nigerian setting. Section 5 concludes the study with relevant policy recommendations.

2 Historical Background of Power Sector in Nigeria

Electricity generation in Nigeria dates back to 1896 with the installation of two small electricity generating sets serving the former Lagos colony. The installed capacity of the generators was 60 kW, which was higher than the demand for electricity usage (Folorunso and Olowu 2014). Thereafter, in 1946 and under the jurisdiction of the

Public Works Department, the Nigerian Government Electricity Undertaking was set up to take on the responsibility of supplying electricity in Lagos State. Legislature backing electricity supply transferred issues relating to the sector (such as electricity supply and development) to the Electricity Corporation of Nigeria (ECN) in 1950. Native Authorities and the Nigerian Electricity Supply Company (NESCO) were also issued licenses to generate electricity in other locations in the country. In existence with ECN was another body known as Niger Dams Authority (NDA), which had the responsibility to construct and maintain dams. In addition to the responsibility given to it, NDA also generated electricity through hydropower, improved navigation and promoted fish seawaters and irrigation (Okoro and Chikuni 2007). The electricity generated by NDA was sold to ECN for distribution and sales at utility voltages. The two bodies (NDA and ECN) were merged in 1972 to bring their functions under an organisation known as the National Electric Power Authority (NEPA) charged with the responsibility and monopoly to generate, transmit and distribute electricity supply in the country. An expectation from the merger was that NEPA would be effective and efficient in harnessing electricity supply resources that were available in the country.

The monopolistic power of NEPA in generating, transmitting and distributing electricity continued right up to 2005 when the Electric Power Sector Reform Act of 2005 was signed into law. Prior to this period, there was dearth in infrastructural development and low investment in the electricity industry (Idris et al. 2013). This position put the industry in a deplorable state and given the importance of power in the development of an economy, the issue of reforms became a necessity. For instance, while the installed capacity for electricity generation was an average of 5600 MW, it dwindled to an average of 1750 MW in 2001 with a load demand of 6000 MW (Folorunso and Olowu 2014). This situation shows that the demand for electricity in Nigeria outweighs the supply and explains the incessant power failures due to power rationing. In addition, out of 79 installed generating units, only 19 units were put to use. Thus, the reform sought to address these problems and other issues in order to improve and stabilise electricity supply, minimise operational cost and increase cost recovery. Furthermore, the reform sought to increase the level of capital investment and infrastructural development in the power industry (Idris et al. 2013).

One of the major outcomes of implementing the reform was the deregulation and privatisation of the electricity industry. Consequently, NEPA was renamed Power Holding Company of Nigeria (PHCN). This process enabled the organised private sector to participate in electricity generation, transmission and distribution in addition to reducing the strain on government lean resources to develop the sector. For instance, Independent Power Producers (IPPs) came into existence to complement the activities and functions of PHCN. With the set-up of the PHCN, NEPA was unbundled into several units consisting of 11 distribution companies (DISCOS), six generating companies (GENCOS) and one transmission company (TRANSCO). However, while DISCOs and GENCOs are private sector operated, TRANSCO is under the control of the Federal Government. Following the establishment of the PHCN and in what appeared to be an improvement to power supply; generation peaked to 3.774 MW out of an available generation of 4000 in 2005 (Folorunso

and Olowu 2014). In an affirmation of the improvement in electricity generation, Fig. 1 shows that total electricity output in GWh improved from 23,539 GWh in 2005 to 28,706 GWh in 2012. Furthermore and in spite of the vandalism of gas pipelines supplying gas to generating stations, Nigeria recorded her highest peak of power generation (5074.7 MW) in February 2016 against an installed capacity of 12,000 MW (Fashola 2016).

Evidence of below capacity generation of electricity in Nigeria is similarly observed in Fig. 1 where actual output is about half of capacity to generate. Nonetheless, the problems associated with electricity generation under the former NEPA persists with the new body; PHCN. For example, while power generation remained less than 6000 MW few years after implementing the reforms, problems related to dilapidated and outdated equipment and structures, vandalism of power sector infrastructures in spite of the poor condition of existing ones and lack of adequate financing continues in the sector (Aliyu et al. 2015; Idris et al. 2013).

The continual problems of the power sector over the years clearly negates the goal of the United Nations Sustainable Development goal of ensuring access to affordable, reliable, sustainable and modern energy for all. Nigeria falls short of this goal because data obtained from World Bank Sustainable Energy for All shows that percentage of total population with access to electricity in 2012 was 55.6% even though it was an improvement over previous years (48% in 2010). Thus, the role of energy in enhancing socio-economic development and reducing poverty in the country remains unachieved. The lack of adequate financing for the power sector in Nigeria has been identified to be a major obstacle in accomplishing access to affordable, reliable, sustainable and modern energy for all. It is against this background that this paper assesses, examines and recommends financing models that best fits a developing country like Nigeria particularly as it relates to the inherent challenges in its power sector.

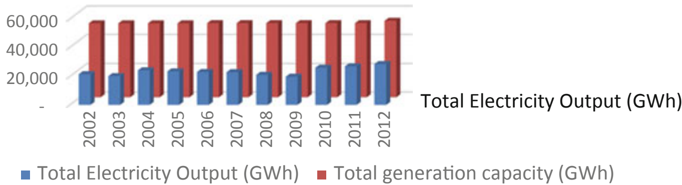

Fig. 1 Total electricity output and electricity generation capacity in Nigeria (2002–2012). *Source* World Bank Sustainable Energy for All (2017) (The data used in the figure is available only up to 2012)

3 Case Studies of Electricity Financing Models

This section discusses two electricity financing models namely the auction model as practiced in Chile and the forfaiting model.

3.1 *The Auction Model in Chile*

Chile is considered as one of the strongest economies in South America. Like many other developing countries, Chile experienced systemic energy demand especially in the 1990s due to factors such as rapid economic growth, rapid population growth and limited financial resources. Procurement of new generation sources to sustain the demand posed a challenge for the government thus, the need for a creative means of procuring new energy sources became imperative.

Prior to reforming, Chilean's electricity sector was vertically integrated whereby; generating, distribution and transmission were managed by government entities. The tariff system was purely regulated with subsidies in place. Action towards full liberalization began with the unbundling of the power sector into generation, transmission and distribution utilities in 1986. The restructuring exercise resulted in a total number of 23 and 40 generating and distributing units respectively with regulatory and policy issues entrusted to the National Energy Commission (NEC), a government agency (Rudnick 2009).

Following privatisation, electricity procurement evolved from a single or bilateral model to the auction model. The generation segment is structured as a complete competitive market where market forces determine key investment decisions and price setting. In contrast, the distribution and transmission segments are monopolistic in nature, characterised with regulated tariffs and set measures for investment requirements (Rudnick 2009). The reform mainly brought about the deregulation of wholesale electricity generation while small consumers enjoy protection with regulated tariff (Rudnick 2009). About 90% of the electricity is generated from hydro source (Mocarquer and Rudnick 2008). Privatisation in Chile is mainly financed through three mechanisms namely: (1) auction model, (2) stock exchange model and (3) sale of share to the public. In this paper, we focus on the auction model due to its uniqueness and the important role it plays in electricity generation reform.

3.2 *Assessment of the Chilean Auction Model: Opportunities*

Auction generally can be defined as a selection process for the procurement of goods and services competitively where award is made to pre-qualified bidders and is based on financial offers (Maurer and Barroso 2011). In electricity auction mechanism, potential investors compete for long-term supply of energy contract offered by the

distributors' companies. The power generator bids to sell power contract to the distribution companies. The aim of auction is to ensure security of electricity generation and attract investors in a competitive environment. The steps in the auction model are:

1. Electricity distributor offer certain quantities of electricity energy supply through an auction
2. Bidders comprises of generating companies bids for the contracts
3. Winner is selected based on some criteria set by the auctioneer
4. Electricity is generated and sold to the distributors in accordance with the term of the contract
5. Payment for the electricity.

Chile and Brazil, both developing countries, pioneered the electricity auction model as early as the 2000s (Maurer and Barroso 2011). After its first introduction in 2005, the success recorded in the model made it a toast of many other developing countries faced with similar electricity challenges. Examples of countries where auction model has been applied include South Africa, Morocco, Egypt, India, UAE and Brazil. For example, the UAE has been able to achieve significant renewable energy generation at a reduced price from auction model. The country set record for the lowest solar price worldwide with a winning price of 29.9/MHh International Renewable Energy Agency (IRENA 2017). This no doubt consolidates electricity security for such a striving country. Similarly, the epileptic power supply due to imbalance between electricity supply and demand led to the adoption of auction model in Brazil in 2004. Auction model was introduced as a procurement mechanism to purchase energy for captive consumers. Winner who bid to supply specified quantity of energy for the lowest price is selected. The competition in the sector due to auction model in Brazil has also led to the increase in other sources of energy such as wind and solar power. By means of auctioning their energy need, the distribution utilities are able to secure energy supply that meet the need of their customers (Fieldfisher 2016).

Studies that have evaluated the outcome of the auction model in Chile unanimously agree that the model is a success (e.g. Maura and Barroso 2011). The evaluation of the model was done through reviews that identified factors, which contributed to its successful implementation. The experience so far suggests that the model helped to achieve electricity security; an objective of the reforms carried out in the sector and as noted by Rudnick (2009), power interruption reduced significantly compared to the pre reforms era. One of the benefits of a well-designed electricity generation auction model is its ability to match demand with supply as distributor companies project their future electricity need, which are offered through auction. Three auction processes carried out between October 2006 and 2010 have been able to achieve an average allocation demand of 28 TWh/annum to be served between 2010 and 2025 (Moreno et al. 2010). This indicates that the process succeeded in attracting more investment in electricity generation.

In addition, the transition to a pure market model further opened the Chilean electricity market to investors. Although this had significant impact on the compet-

Table 1 Electricity auction process in Chile (2006–2008)

	2006	2007	2008
Total energy auctioned (GWh)	14,170	14,732	1800
Allocated energy (GWh)	12,766	5700	1800
Price cap (US$/MWh)	61.7	62.7	71.06
Mean allocation price (US$/MWh)	52.8	61.2	65.5

Source Mocarquer and Rudnick (2008)

itiveness of the sector, the impact was below expectation (Bustos-Slavagnoy 2012). Since the market determines the price of electricity, Long Term Auction (LTA) model has the potential to attract investors due to high possibility of adequate return for the investors. Based on the experience of Enel Green Power (EGP) in Chile as one of the active bidder and investor in electricity generation, auction is an effective mechanism for electricity security if properly designed. Indeed, the surge in various energy generations is partly due to open market and a robust regulatory framework (Díaz 2015). The emergence of a wide variety of generation technologies, comprising new hydro projects, gas, coal and oil-fired plants, sugarcane biomass and international inter-connections are largely due to the reforms and process put in place for the electricity sector.

Table 1 shows that approximately 66% of the total energy auctioned between 2006 and 2008 were allocated. It can thus be inferred that the auction model helps in mitigating uncertain future energy demand, growth, energy spot price volatility, and the need for project finance from new generation investments.

3.3 Assessment of the Chilean Auction Model: Challenges

Long-term auction contract is still considered a novelty in the electricity industry, which gives room for improvement to overcome some of the challenges experienced in its implementation. Existing studies of the auction application in Chile identified some challenges faced which border especially on price and competitiveness. The final consumers ended up paying a high price for electricity due to complete deregulation of the generation companies. High price recorded in the auction is attributed to technological differences in the generation and capacity constraint given at short notice (Bustos-Salvagnoy 2012). For instance, the cost pass through to the final consumers for generation rose from 39% in 1992 to 57% in 2008 while that of distribution reduced to 18% in 2008 from 39% in 1992 (Rudnick 2009).

In addition, the electricity auction did not generate sufficient competition as expected due to the way it was designed and organised. The Auction in Chile was not as competitive as expected due to factors such as lack of incentives for distribution companies to make a competitive auction and the existence of vertical integration

between some distributors and generators that affected the competitiveness of the auction and new entrants (Bustos-Salvagnoy 2012). For example, some generation companies still maintained stakes in the distribution companies, thus affecting the entrance of new investors and consequently competition in the industry. Another factor that hampered competition in the auction process of Chile was low capacity of the grid. This had significant effect on competition in energy generation and the development of transmission and distribution network (Martínez and Fernando 2015).

3.4 Forfaiting Financing Model

One of the greatest challenges facing project execution especially in developing economies is capital availability. The increasing budget deficit, slow growth of global economy and poor management has made the private sector to assume some of the responsibilities hitherto managed by government. Some of these responsibilities include provision of roads, electricity supply, housing and other projects that require substantial amount of finance. The private sector normally raises funds from the capital market and financial institutions to execute these projects although some of the projects are executed as part of their corporate social responsibility activities. Nonetheless, the fragile global economic condition has shaped the behaviour of investors and posed a challenge for funding projects using the traditional finance model.

Due to difficulties such as reduction in loan availability and preference for safer investment havens, the traditional project finance experienced financing difficulty thus leading to the creation/development of forfaiting finance (Busse 2014). The use of forfaiting to finance infrastructure projects rather than the traditional export financing has proven to be a viable source for project finance. This has led to an increase in the use of the model as an alternative means of infrastructure finance. The start of the use of this means of finance (forfaiting) can be traced to Germany. Forfaiting can be defined as the financing model in which private sector claim for payment to the banks. The private sector sells claim for payment that result from electricity selling contract with the distribution companies. Since future revenue is guaranteed as per the arrangement of the contract, the expected future cash flow from the projects act like a collateral. Forfaiting financing has gradually evolved from its traditional export financing to financing infrastructure projects using the associated receivables as collateral.

Forfaiting, mainly used in trade finance, is an agreement under which "an exporter surrenders ownership of export receivables by selling them at a discount to a forfaiter (financial institution/bank etc.) in exchange for cash" (Busse 2014). As reflected in this definition, forfaiting is traditionally associated with export financing. Using forfaiting, a hypothetical exporter sells the receivable from the goods sold to the banks in exchange for immediate cash. In the context of electricity generation financing, forfaiting can be described as the financial model whereby the generation companies

sell part of the claim from the future sale of electricity to the banks at a discount. This provides private investors with the required cash needed to procure generation assets. Upon completion, they (the investors) pay the debt from revenue derived from selling of the electricity to the distributors.

Being a novel financing model for infrastructure projects, limited studies on forfaiting financing exist (for example, Beck 2010; Busse 2014; Daube et al. 2008). Majority of the studies related to forfaiting financing mainly focus on German case studies. The focus on Germany might be due to two reasons namely: (1) forfaiting finance for infrastructure started in Germany in 2002, (2) majority of the Public Private Partnership projects in Germany are financed using forfaiting financing approach. The experience of Germany in the application of forfaiting financing presents useful lessons in term of its benefits and shortcomings.

The increasing attractiveness of forfaiting financing model over the traditional project finance has been attributed to a number of factors. Some of the benefits of forfaiting financing model include lower financing costs, fast procurement and due diligence process (Daube et al. 2008). The reduction in financing costs can be associated with the guarantee of the payment of the receivable by the purchaser (i.e. the distributor or auctioneer). This is otherwise referred to as waiver of objective, which means that the purchaser will not back out of the contract under any circumstance(s). Under the traditional project finance structure, banks bear the credit risks throughout the life cycle of the project because it is characterised with off-balance sheet financing with limited recourse to the shareholders (Busse 2014). This contributes to the problem of financing including high financing costs under project finance. Accordingly, due diligence related to the technical, financial, legal and market are set up by banks to mitigate the risk. The largest risk under forfaiting financing is during the construction period of the facilities in the form of insolvency risk of the generating companies. Once the facilities are completed, payment is guaranteed by the distributing companies.

Unlike the traditional project finance that was badly hit during the financing crisis, forfaiting financing remained attractive during the same period. Indeed, during the peak of the crisis in 2008, new loans to large borrowers fell by about 47% globally (Ivashina and Scharstein 2010). During crisis, banks and other investors try as much as possible to avoid risk making financing models such as forfaiting more attractive, compared to project finance. Generally, forfaiting has been acknowledged as a viable alternative to project finance models and not only during crisis periods. This is due to guaranteed payment that effectively reduces credit risks. This feature perhaps makes the model more attractive to the Nigerian electricity sector as an alternative means of project financing considering the challenging financial and economic environment.

Recently, out of 164 projects surveyed to have been embarked upon in Germany, 133 were financed by forfaiting with only 31 financed using the traditional project finance structure (Beck 2010; Busse 2014). In terms of private public partnership (PPP) projects, about 65% of the PPP project in Germany are financed using the forfaiting model including part or full selling of the receivables to the financing banks (Beck 2010; Busse 2014). In addition, payment guarantee provided by the public partner who is liable to pay to the bank in case of bad performance of the

partner is given to the banks. Nonetheless, the risk allocation of this model that protects the private investor has been criticized.

The processes involved in the forfaiting model are:

1. The contract between distribution and generation companies is finalised
2. Special purpose vehicle (SPV) is established to handle the sales transaction including management of the cash flow
3. The distribution or public partner provide guarantee of the future claims
4. Selling of the receivables to the banks or investors
5. The generating companies receive cash equivalent to the present value of the receivables.

4 Application of Auction Contract and Forfaiting Financing Model to the Electricity Sector in Nigeria

Despite the reforms carried out in the Nigerian electricity sector, it is still plagued with problems left unresolved over the years. With an estimated population of more than 170 million and available generation capacity of about 12,000 MW, the World Bank report indicated that only 55% of Nigerians have access to electricity. Considering the current trend in the Nigerian electricity sector, the probability of attaining the ambitious 20,000 MW by year 2020 seems slim if proper steps are not taken to eliminate the challenges facing the sector.

Challenges hampering the efficient delivery of electricity in Nigeria are widely documented. For instance, as at 2012, about 40% of installed capability was not available (Antonio et al. 2015). Aliyu et al. (2015) and KPMG (2016) similarly show that illiquidity, high tariff, high financing cost, gas supply interruption and dearth of adequately skilled labour have had major impact on electricity generation in Nigeria. Attracting investors in an environment where the prospect of making attractive return on investment is difficult. The precarious economic situation of the country also aggravates the liquidity problem. In addition, electricity-generating units incurred huge losses due to electricity theft and pipeline vandalizations. These challenges further beams light on the need for a viable and sustainable financing model for the sector because Government has shown that it cannot finance the level of subsidy needed to put in place, the necessary infrastructures to maintain the existing model. Nevertheless, Government came up with various strategies to attract investors, although largely, the strategies seemed unrealistic. For example, to help reduce financing plight of private investors, the Federal Government offered them 213 billion Naira as soft loans (The Economist 2016). The government also made a move to increase electricity tariff under the Multi-Year Tariff Order. Trade unions and some politicians vehemently opposed this move.

The role of electricity in the economic development of any country is very important. Constant electricity can reduce companies overhead cost, encourage entrepreneurship and reduce unemployment rate. That many companies are dis-

investing from the Nigerian economy due to high operating costs is not new. Proactive steps are needed to build internal capacity in electricity supply. The case of electricity privatisation for Chile, which is considered as the first country in the world to fully liberalize their electricity sector, is an example in this regard. Similar to Nigeria, Chile was faced with uncertainties in the supply of gas from Argentina, mismatch between the demand and supply of energy and limited capital availability. The need to make the sector more attractive to investor topped the Chilean authority strategies. Although the financing structures currently existing in Nigeria are partial privatisation of the generation and distribution units and independent power producers who sell electricity generated to the market, the structures have not been able to maintain a viable and sustainable sector.

Consequently, we consider electricity auction and forfaiting models as feasible and viable strategies to open the door for investors to participate in electricity generation. Through auction, investors bid to supply certain amount of electricity needed by the distribution companies. The main objective for considering the electricity auction strategy in Chile is to attract generation investment and therefore achieve reliable electricity supply. The forfaiting model is considered due to its potential of reducing project finance risks, most especially in the presence of challenging financial and economic environment in Nigeria. Based on the review of the two models, a well-structured auction model together with the forfaiting model has the potential to provide the following benefits to the Nigerian electricity sector:

Price discovery: Based on the early electricity market model as pioneered by Chile and UK, competition in the spot energy price has the capability of providing adequate incentives to attract the required investment and put in place, an efficient operating system. The attempt to hedge spot price variability might be difficult due to the consistencies of the model, which requires that future price, are a reflection of spot price. Effective competition is important to achieve efficient pricing of energy because limited response and price cap to diffuse scarcity prevent fair competition and do not contribute to incentivize (Moreno et al. 2010).

Attract more investors: When prices are determined using the market model, there is a possibility for the investor to recover costs and realize attractive return on investment. As indicated in the experience of Chile, the market model enhances competition in electricity generation and facilitates the entrance of variety of generation technologies, comprising new hydro projects, gas, coal and oil-fired plants, sugarcane biomass and international interconnections.

Energy Supply Security: the market model is employed in Chile to ensure that electricity adequately meet the energy demand. Based on the experience of Chile market model, energy deficit problem previously facing the country has disappeared. Energy supply deficit has hampered the economy growth of many developing countries including Nigeria.

Provision of off-takers for electricity generated: The models will ensure that there are off-takers who will buy the electricity generated. This will also reduce credit risks associated with infrastructure finance because payments are guaranteed specifically as it relates to the forfaiting model.

Nonetheless, for these models to be successfully applied in Nigeria and in line with the argument of Antonio et al. (2015), there is a need to put in place required financial infrastructures and a conducive business environment.[1] A well-developed,

[1] Specifically for the forfaiting model which emanated from Germany, a developed country.

transparent and efficient economic and financial system will be able achieve the desired results as obtained in developed economies.

5 Conclusion

The existence of a viable and efficient power sector is crucial to the development of the social and economic development of any country. Against this background, the present study examines challenges facing the Nigerian power sector that has made it unable to contribute its quota to the development and growth of the country. Literature and data reviewed indicate that Nigeria currently generates less than 50% of available generation capacity, which is largely attributable to the existence of a financing gap that has led to a non-viable and non-sustainable sector. The inability to secure project finance for the sector undoubtedly hinders the attainment of Goal 7 of the United Nations Sustainable Development Goal of access to affordable, reliable, sustainable and modern energy for all. In view of the successes recorded with the use of the auction and forfaiting models especially as it relates to developing countries, the study proposes applying these models to the electricity sector in Nigeria in order to garner the benefits derivable from their use. These advantages include but are not limited to; effective price discovery, attraction of investors, energy supply security and elimination of risks associated with infrastructural financing.

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Productivity in the Manufacturing Subsector: Issues of Income and Employment Generation for Sustainable Development in Nigeria

Titus Chukwuemezie Okeke

1 Introduction

In economic development literature rapid industrialization, especially manufacturing industrialization has been viewed as fundamental to modern economic growth and development. The level of industrial performance reflects the ability of any economy to utilize its resources, its level of technological and managerial development to enhance the standard of living of its citizens. Nigeria is blessed with abundant human and material resources, a large population and an upcoming entrepreneurial class. The resources with which the country is endowed with are such that make it a potential industrial and technological giant. However, expectations based on the assessment of the nation's potentials are yet to be matched given the present level of development of the economy.

In line with the Standard International Trade classification (SITC), the National Bureau of Statistics (NBS) and the Manufacturers Association of Nigeria (MAN) classified the industrial sector of the Nigerian economy into three subsectors: petroleum and natural gas; solid minerals (both extractive); and manufacturing (in Central Bank of Nigeria CBN 2015a). The sector is responsible for the production of goods and services; and is very strategic in the generation of employment and in the enhancement of incomes. Of particular import is the manufacturing subsector that has been described in development literature as the engine of modern economies; and is critical in achieving sustainable development goals. Todaro and Smith (2015) state that industrialization is associated with high productivity and incomes and has been a hallmark of modernization and national economic power; adding "it is no accident that most developing-country governments have made industrialization a high national priority" (p. 66). Rapid industrialization has been given top priority in the nation's economic development efforts. Industrial policy had sought to increase

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national income, achieve balanced development, transform the technological base and diversify the productive base (Ojo 1995). The initial strategy for achieving the industrial policy objectives was import substitution industrial strategy, which was aided by the indigenization policy of the early 1970s. With this government became actively involved in the establishment and ownership of industries. With the downturn in foreign exchange earnings experienced in the early 1980s occasioned by the declining oil prices, the spending spree of the government was brought to a halt. The series of economic emergency measures that followed included across the board reduction in government expenditure, as well as import prohibitions and currency controls. Since 1986, government has been attempting to reduce its direct role in the industrial sector through the privatization and commercialization of its enterprises and the provision of more incentives to private sector agents. However, achievements in the manufacturing sub sector have been marginal and very unsatisfactory. Manufacturing which contributed 10.2% of Gross Domestic Product GDP by 1981 can only account for less than 4% of GDP in 2003, rising marginally to 6.6% in 2010 and to 9.5% in 2015 (CBN 2015a) the reform measures notwithstanding, hence the incidence of poverty in Nigeria remains high at over 60%; and will impair achieving SDG Goal One: "End poverty in all its forms everywhere". UNDP-HDR (2015a) reports that the collapse of the manufacturing sector in Nigeria has led to the proliferation of poorly paid and unproductive self-employment in the informal sector. Nigeria's income per capita is put at $5900 in 2016 (World Fact-book) hence Nigeria is still classified a low income country and is put at 163 position with the rest of the World; while its manufacturing value-added per capita $254.37 (UNIDO 2017) is among the least in Africa. The World Fact-Book also report that less than 10% of the labour force are in industry. This has serious implications for achieving the United Nations sustainable development goals (SDGs). Analysts and development experts aver that the Nigerian economy is growing but not diversified as the economy is still heavily dependent on crude oil. People are not part of the growth process as majority of the citizens do not share in the growth. Oil concentrates wealth in the hands of few hence the endemic poverty. By generating direct and indirect jobs in manufacturing and manufacturing-related services not only bring more people into the growth process—it also increases average productivity, wages and family incomes; and higher family incomes, in turn, help reduce poverty (UNIDO 2016). This is important in achieving SDGs Goal 8: Good jobs and economic growth. This chapter appraises productivity in the manufacturing subsector: issues of income and employment generation for Sustainable Development in Nigeria. The chapter is divided into six parts. After this introduction is concepts and measures of productivity in section two. Section three appraises the structural adjustment and the sector while section four handles income and employment generation; part five handles problems of the manufacturing and section six concludes the paper.

2 Concepts and Measures of Productivity

Production is the process of converting raw material inputs into finished goods and services to satisfy human wants. It refers to the processes and methods used to transform tangible and intangible inputs into goods and services. Resources are used in this process to create outputs that have exchange value and that are suitable for use in enhancing the economic wellbeing of humanity. It is the creation of wealth which in turn adds to society's welfare. Creating wealth in an efficient manner will be instrumental in achieving SDGs Goals 1, 2, and 3: End poverty in all its forms everywhere; End hunger, achieve food security and improved nutrition and promote sustainable agriculture; and Ensure healthy lives and promote well-being for all at all ages respectively. Oleka et al. (2003) see it as a vital link in the process of satisfying human wants, and thus requires that scare resources be use efficiently to create maximum possible welfare. In an attempt to explain the relationship between production and productivity, Maverick states that production consists of adding value to materials, adding that it is the efficiency with which this value is added that is the measure of productivity (in Oleka et al. 2003). Accordingly productivity is defined as the ratio of a measure of output (of an industry, plant, machine, etc.) to a measure of one or more of the inputs (labour, raw materials, machine, time etc.) used to produce the output. This relates to total factor productivity which is the output produced per unit of input employed where total input is an index of three individual inputs: labour, capital and materials (Acs and Gerlowsski 1996).

Misconceptions about productivity are widespread. Productivity is often equated with production. An increase in production is not necessarily accompanied by an increase in productivity; as the reverse may be the case. A conclusion about productivity cannot be reached without considering the changes in inputs that are required to improve output. Productivity is a measure of overall production efficiency, effectiveness, and performance of the individual organization (Meager and Speckesser 2011). In this context, Productivity means quality of output, workmanship, adherence to standards, absence of complaints, customer satisfaction, absence of disruption, trouble and other evidence of difficulty in an organization, as well as such quantitative indicators as units produced, or volume of sales (Oleka et al. 2003). When productivity is seen as the relationship between output of goods and services and the input of resources used in producing them, it is referred to as total factor productivity. But when seen as the relationship between output and any factor input (labour, capital etc.) it is called partial productivity. However productivity defined as the relationship between output and input, is seen by some as deceptively simple. Hence complications stem from the fact that productivity is not a monistic concept; as it is not an independently observable variable but only a meaningful abstraction (Oleka et al. 2003). Thus productivity is a means by which a society can raise itself out of poverty to relative affluence and achieve sustainable development.

Indeed, there has been a tendency on the part of many to measure productivity in terms of labour only. Poulson (1994) discussed this under 'embodied' and 'disembodied' productivity changes. He sees embodied productivity change as one of

the refinements of neoclassical growth models where productivity is explained as a residual, the part of the growth in income that is not explained by changes in factor inputs. To argue that most of the growth in income is accounted for by an unexplained residual is not very satisfactory, he stated, pointing out that an alternative approach is to assume that productivity change is embodied in the factor inputs rather than disembodied and independent of the growth in factor inputs. A related approach assumes that productivity change is embodied in the capital inputs. Improvements in the quality of capital stock as an input are measured and used to define quality-adjusted capital stock. As an example new technology is usually embodied in new capital equipment; as one measure of changes in the quality of capital is to measure changes in the average age of the capital stock. Poulson (1994) aver that experts have attempted to discountenance the residual measure of productivity to examine sources of disembodied productivity change. By relaxing the assumptions that the sum of the elasticities of output with respect to input factors must sum to unity, as changes in returns to scale can be measured. Another source of disembodied productivity change is identified as *learning effects.* According to Poulson (1994) this specification revealed that increasing returns to scale were an important source of productivity growth in a number of manufacturing industries in both developed and developing countries. Microeconomic theory suggests a clear relationship between productivity, wages and labour demand, in which wages correspond to the marginal productivity of labour (Meager and Speckesser 2011). Using data from OECD countries, Meager and Speckesser (2011) found strong relationship between wages, employment and productivity stressing that micro-economic theory posits a clear relationship between wages growth and productivity growth in the short run, with wages adjusting to changes in productivity. They pointed out that:

> The key policy question…is what level of wage growth is consistent with maintaining (or increasing) employment levels? While various simple models exist for assessing the effect of a given relationship between wage increases and productivity increases on employment, their practical implementation is hindered by the difficulty of taking account of factors such as: the changing composition of the workforce (which may mean that observed average productivity differs significantly from marginal productivity, which is relevant to decision-making); changes in technology, and the changing cost of capital. (p. 12)

Todaro and Smith (2015) state that there are good reasons to believe the causality between income and productivity stressing that with higher income, people and governments can afford to spend more on education and health, and with greater health and education, higher productivity and incomes are possible. UNIDO (2011) aver that while labour productivity has increased markedly in line with technological advances over the past 50 years, resource productivity has seen only a marginal increase as technological progress has been seen primarily in relation to labour productivity. Limited focus has been placed on technological innovation for using resources more efficiently. The realization of the importance of resource productivity is increasing; as it has been demonstrated that enhanced resource productivity addresses all three dimensions of sustainability—protection of the environment, promotion of economic growth, and social development (in UNIDO 2011).

High productivity in the various sectors of the Nigerian economy particularly the manufacturing subsector is critical towards achieving sustainable development in the country. Manufacturing as already mentioned is the sector responsible for the production of goods and services; and is very strategic in the generation of employment and in the enhancement of incomes. In this chapter manufacturing productivity is seen and defined using manufacturing metrics that includes; contribution to GDP; capacity utilization; manufacturing value added (MVA); and contribution to export earnings. Empirical studies as well as data on productivity in the Nigerian economy are scanty. However the manufacturing sector contribution to GDP, capacity utilization, manufacturing value added per capita and contribution to export are indicative of low productivity (see Table 1).

3 Structural Adjustment and the Manufacturing Subsector in Nigeria

Following the collapse of the world oil market prices, the economic emergency measures that ensued in the early to mid-1980s included across the board reduction in government expenditure, as well as import prohibitions and currency controls. A series of events culminated in the adoption of the structural Adjustment Programme (SAP). By 1985, the National Economic Emergency Powers Decree was established to further address the ensuing economic crises as the economy grew worse following deterioration of what was said to be the efficacy of the previous policy measures. As a result, towards the end of 1986, the government adopted a far-reaching reform programme, SAP, a world bank packaged programme.

The World Bank, which studied the Nigerian economic crisis, in its review of Nigeria's public expenditure pattern and programme criticized the manufacturing sector programme for over commitment of resources across a large number of projects especially large-capital intensive second stage import substitution industries requiring economies of scale exceeding the Nigerian market such as steel, pulp and paper and petrochemicals (Ukwu 2000). He added, the bank was also critical of the poor performance of the industries, which it ascribed to the following:

- The economic crisis
- Cost underestimation and escalation
- Pursuit of social objectives and assumption of infrastructural burdens
- Non-economic criteria for project choice and location
- Limited private sector participation
- Poor choices in design, technical partners and management.

The World Bank made a number of recommendations for improving the performance of existing public sector industries, it urged for a reduced role of government in investment, recommending significant cut down in allocation for the major industries, adding that Nigeria is a market economy with a pool of private entrepreneurs and a large and vibrant domestic market to attract foreign private investment. SAP

Table 1 Manufacturing in Nigeria versus benchmark countries

Country	Manufacturing contribution to GDP (%) (2005)[1]	Manufacturing value added per capita ($) (2015)[2]	Manufacturing export per capita ($) (2015)[2]	Share of Man. value added in GDP (%) (2015)[2]	Share of Man. export in total export (%) (2015)[2]	Gross domestic product at current prices ($ billion) (2016)[3]	GDP per capita ($) (2016)[3]
China	33.5	2047.63	1601.39	32	97	10,730	14,600
Thailand	34.8	1657.39	2754.78	29	89	406.8	16,800
Brazil	20.4	1202.65	540.39	11	59	1770	14,800
Malaysia	29.8	2533.81	5547.00	24	84	302.7	27,200
South Africa	18.6	952.18	876.52	12	69	280.4	13,500
Nigeria	9.5[4]	254.37	91.08	10	16	415.1	5900

Source
[1]Nigeria Vision 20:2020, Economic Transformation Blueprint. FRN (2009)
[2]UNIDO Statistics Data Portal (2017)
[3]World Factbook
[4]2015 Data

was aimed, through the combination of exchange rate and trade policy reforms, at revitalizing the non-oil sector of the economy with stabilization policies in order to restore the Balance of Payment equilibrium and price stability. Other elements of SAP include tight monetary and fiscal policies, demand management, trade liberalization, devaluation, privatization and commercialization of public enterprises among others.

Adjustment programmes achieved limited success in turning the economy around. Thus, while some economic indicators improved marginally, others were very dismal. Besides the problem of inflation, Capacity utilization in the manufacturing sector decreased substantially to 36.1 in 2000 and by 2015 is 59.9% which is less than the 1981 level of 73.3 (CBN 2015a). In addition to the philosophy and doctrine of SAP, the democratic administration on coming to power in 1999 adopted economic liberalization as its policy thrust. Thus, while SAP element supports partial deregulation of the economy, the civilian government took to complete deregulation not minding the cost to the economy. While inaugurating the National Council on Privatisation (NCP) on July 20 1999, President Olusegun Obasanjo noted that successive Nigerian Governments have invested up to an estimated ₦800 billion in public—owned enterprises but regretted that annual returns on this huge investment have been well below 10% adding that many of these enterprises gulped billions of naira without yielding much positive results in terms of customer satisfaction (FRN, 1999). The measures taken to liberalize prices and remove subsidies were not favourable to the manufacturing sector, hence the Manufacturers Association of Nigeria MAN had while welcoming the programme decried governments abandoning of the strategic sectors to the economy.

About year 2009 the democratic government of Shehu Musa Yar'Adua came up with the strategic goal; Vision 20:2020, which aims to launch Nigeria into the league of the top 20 economies by the year 2020. That according to analysts implies growing the economy consistently at 13% and moving from a GDP position of about $170 in year 2009 billion to $900 billion. With the rebasing of the Nigerian economy in year 2014 the GDP rose to $512 billion which is still far from target. The government decided to implement the vision through three medium term plans: the first 2010 to 2013; the second from 2014 to 2017; and the third from 2018 to 2021. Within the period the government hopes to diversify the economy away from oil and make manufacturing the backbone of the economy as it set a target MVA/GDP ratio of 40% among others. The administration of Goodluck Jonathan launched the National Industrial Revolution Plan while the Buhari Administration on April 5, 2017 launched economic recovery and growth plan (ERGP), all aim to address the persistent problems of the manufacturing subsector like revenue shortage, political instability, weak infrastructure, macroeconomic instability and lack of funds among others. This is in line with United Nations SDGs Goal 9: "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". Addressing the many problems facing the manufacturing sector will lead to achieving this goal and majority of its targets. Manufacturing is central in the structural transformation of any country from primary subsistence to medium/high income economy. Experts argue however that that a country's structural change depends on three factors: (i)

the normal effect of universal factors that are related to the levels of income; (ii) the effect of other general factors such as country size or natural resources; (iii) the effects of the country's individual history, its political and social objectives, and the specific policies the government has followed to achieve these (in Nobuya 2015). Nigeria is richly blessed with abundant natural resources but the negative impact of the abundance of natural resource on manufacturing industrialization is well documented in literature. A country's natural resource base affects industrialization in two ways. First is that absence of natural resource propels countries to look for alternative income means and second is the issues of 'natural resource curse.'

4 Income and Employment Generation in the Manufacturing Sub-sector

Manufacturing is indispensable in any economy as it plays a catalytic role in the process of economic growth and development of any nation. It shows how any country can utilize its natural and human resources for the production of goods and services needed for the wellbeing of its populace and for economic transformation. In many countries especially those with little natural resources, manufacturing is equated with industrialization, hence the level of manufacturing in any economy defines its level of industrialization. Given the pivotal role of the manufacturing sub-sector in any modern economy, an appraisal of its performance is paramount to policy makers, researchers, industrialists, consumers and other interest groups.

Discussing and appraising the manufacturing subsector in any economy implies looking at the sector's contribution to GDP, manufacturing value-added, manufactured goods share in export proceeds, manufacturing growth rate, and employment in manufacturing. GDP is a measure of national income. According to the information contained in the updated version of the organization for economic cooperation and development (OECD) fact book Nigeria has a GDP based on purchasing power parity (PPP) of $1.06 trillion as at 2014 and based on the 2014 rebasing of the economy became the largest economy in Africa and the 21st position in the World. By official exchange rate however, Nigeria GDP stood at $573.7 billion (OECD 2016), making it still the largest economy in Africa while at 26th position in the World. In terms of GDP per capita, Nigeria has a per capita GDP of about $6000 and ranks about 14th in Africa.

On benefits to works in the sector, National Bureau of Statistics NBS (2014) reports that Total employee compensation, in the form of wages and salary, Other benefits, Social security contributions and Directors' fees/allowances, which summed to ₦1,198,253.65 million in 2010, increased by ₦298,378.68 million or 24.90% to ₦1,496,632.33 million in 2011 adding that the increase was even greater in 2012, with a further 25.55% rise, of ₦380,721.91 million to ₦1,877,354.24 million. NBS attributes these increases to new openings majorly.

4.1 Output Growth and Capacity Utilization

Nigeria economy is dominated by three sectors: agriculture 20.6%; industry 25.6% and services 53.8% (OECD 2016). The industrial sector is dominated by mining and sale of petroleum. The Nigerian manufacturing sub-sector depends largely on imported inputs. Its performance, therefore, depends on cost and availability of foreign exchange needed for importation of raw materials, spare parts and machinery. Thus capacity utilization depends on foreign exchange earnings from crude oil. As crude oil prices fluctuate, manufacturing is affected. Nigeria's average manufacturing capacity utilization nose-dived from as high as 73.3% in 1981, to 36.1% in 2000 and improved marginally to 56.2% in 2010; 59.9% in 2015. On the other hand index of manufacturing production (1985-100) stood at between 136.2 and 147.9 from 1995 to 2003. CBN (2015b) reports that the index of manufacturing production, at 187.3 (2010 = 100), showed a marginal increase of 0.2%, compared with the level in 2014. Manufacturing contributed only 9.5% to GDP in 2015 while it accounted for 10.2% of the GDP in 1981. Manufacturing capacity utilization stood at 73.3 in 1981; 36.1% in 2000; and 59.6% in 2014. While real GDP growth rate moved from 8.0% in 2010 to a low of 2.8% in 2015, manufacturing GDP growth rate moved from 7.6% in 2010 to a high of 21.8% in 2013 and a negative growth rate of 1.5% in 2015. This shows the high rate of instability and fluctuation in Nigeria manufacturing sector. The Low capacity utilization rates have largely been blamed on frequent power outages, lack of funds to procure inputs and the reduced demand for locally manufactured goods.

Food, beverage and tobacco continues to dominate the manufacturing sub-sector accounting for 47.8% of total manufacturing GDP. This is followed by textile, apparel and footwear which represent 20.9% of total manufacturing output. The two sectors together account for 68.7% of manufacturing GDP. High tech industries like electrical/electronics, basic metal/iron and steel as well as motor vehicles assembly are yet to pick up. While the two dominant sectors may be high in generating employment, their impact on high income is unclear as Nigeria remains a low income country. Nobuya (2015) report that labour-intensive, low technology industries, such as food and beverages and wearing apparel, are major manufacturing industries for low income countries, while on the other hand, capital intensive and technologically sophisticated industries, such as electrical machinery and apparatus and motor vehicles, are usually dominant industries in high income countries.

4.2 Contribution to GDP

The manufacturing sector contribution to GDP is 10.2% in 1981 and by 1990 it came down to 8.6%. By year 2000 it was 6.4% from where it improved marginally to 6.6% in 2010 before reaching 9.5% in 2015. This is well below the 12% manufacturing GDP ratio targeted for 2010–2013 in the Vision 20:2020 NIP 11 draft document (Federal Republic of Nigeria FRN, 2010). Thus, manufacturing has remained an

insignificant part of the domestic production as the GDP analysis has demonstrated. This confirms the widely held view that SSA countries Nigeria inclusive is less industrialised now than in the 1970s and 1980s. On sectorial basis, food, beverages and tobacco remain the most dominant followed by textile and apparels (CBN 2015a). And on sub sectorial basis, sugar and bread are dominant within the food, beverages and tobacco (NBS 2014). The economic recovery and growth plan (ERGP) of President Mohammadu Buhari launched on Wednesday April 5, 2017 estimates an average annual growth of 8.5% in manufacturing, rising from −5.8% in 2016 to 10.6% by 2020 (FRN, 2017).

4.3 Contribution to Export

Export of manufactures in Nigeria as a ratio of GDP remains very unsatisfactory at less than 1% over the years. When compared to other African countries, the share of manufactured export in the GDP of the country is very small. In the period 2000–2006, it contributed 0.7% while it was 26.1, 13.2 and 7.8% for Mauritius, South Africa and Cote d'voire respectively (FRN, 2009). This situation is a far cry from the 15% manufacture export GDP ratio targeted in Vision 20:2020 for the year 2013.

4.4 Employment

Adam (2005) reported employment in the Nigerian manufacturing industry is however highly defective; as the level of employment offered is very low. In Nigeria, (CBN 2015a) manufacturing installation are usually operated below capacity which means low employment generation. Loto (2012) reports that manufacturing employment share in total employment fell from 17.0% in 1980 to 3.93% in 2002. Nigerian economy is dominated by the informal sector which is put at between 40 and 50 % of the economy; and which comprises of micro enterprises, household production, and unofficial activities that are absorbing the growing labour force and acting as a social safety net. Evidence suggests however that this cannot provide the missing productive dynamism. Studies show that very few micro-enterprises grow beyond informality. Opinions have been expressed and rightly too that no meaningful achievement can be recorded in an economy that is largely informal. This scenario is captured by UNDP thus:

> The collapse of the manufacturing sector epitomised by rampant factory closures and relocation of Nigerian firms to neighbouring countries have led to the proliferation of poorly paid and unproductive self-employment in the informal sector. The share of formal sector jobs created in 2012 dropped from 40.8 per cent to 36.6 per cent in 2013 while the share of informal sector jobs created in 2012 increased from 59.2 per cent to 63.4 per cent in 2013. Significantly, while formal sector jobs created grew by a meagre 1.27 per cent between

> 2012 and 2013, informal sector jobs created grew by 20.8 per cent. Clearly, the decline of manufacturing jobs and the exponential growth of the service sector of the economy imply that new opportunities are confined to the service sector where employment is much more likely to be temporary or part-time. (UNDP-National HDR 2015b, p. 36)

Employment in the Nigerian manufacturing sector varies subsector by subsector. As already mentioned, food, beverages and tobacco is dominant in the sector over the years followed by textile and wearing apparel. The information supports Nobuya (2015) analysis that Food and beverages, textiles and wearing-apparel industries are the three major sources of manufacturing employment, with no other industries coming close to the peak employment levels of these industries at any income level. He reports further that the food and beverages industry is a major and stable source of employment for all countries regardless of income levels. In terms of manufacturing employment generally, the National Bureau of Statistics (2014) reports:

> The number of those engaged in employment in the Manufacturing Sector in 2010 totalled 2,880,973, increasing by 148,912 persons or 5.17% to 3,029,884 in 2011. In 2012 however, there was a marginal decline in employment in the manufacturing sector, by 48,803 persons or 1.61% to reach a total of 2,368,514 employed in that year. In 2010, 82.23% or 2,368,970 of those engaged in the manufacturing sector were paid employees. This portion increased in the following year, by 7.86% or 186,214 employees, meaning that all of the increase in engagement in the sector in 2011 was from new paid employees. From the 2,555,184 paid employees recorded in the manufacturing sector in 2011, there was a decrease of 7.31% or 186,870 employees to 2,368,514. (p. 13)

4.5 Manufacturing Value Added

A more serious issue explaining the very low level of manufacturing in Nigeria is the manufacturing value added/GDP ratio. Since 1986, when it peaked at 9.2%, it, however, declined progressively reaching the lowest level of 2.2% in 2006 rising to 10% in 2015. This is a far cry from the 40% MVA/GDP set in the Vision 20:2020 first implementation plan. This tragic situation corroborates Ikpeze et al. (2004) submission that manufacturing value added as percentage of GDP, was about 5% in 2000 (less than the proportion at independence in 1960), making Nigeria one of the twenty least industrialized countries in the world. With this scenario, achieving SDGs Goal 10: "Reduce inequality within and among countries" might be impossible.

5 Problems of Nigeria's Manufacturing Sub-sector

Growth and output expansion in the manufacturing sub-sectors of the Nigerian economy have been constrained by many factors which includes but not limited to the following.

5.1 Low Level of Technology

This is perhaps the greatest factor constraining growth and expansion in the manufacturing; as innovative technology remain the primary forces of industrialization today. New processes and procedures have revolutionized manufacturing in many countries. The federal government has established many agencies to address the low level of technology. These include, Products Development Agency (PRODA), National Agency for Science and Engineering Infrastructure (NASENI), National Office for Technology Acquisition and Promotion (NOTAP) among others. The achievements have been very insignificant and most of the agencies are yet to live up to expectation. In the area of information communication technology (ICT) World Economic Forum (WEF 2013) lamented that the country is not harnessing the latest technologies for productivity enhancements, as demonstrated by its low rates of ICT penetration. In the 2016–2017 WEF-GCI rankings, Nigeria ranks 127 out of 138 countries down from 124 the previous year. Nigeria's rankings in the specific competitiveness indices are: institutions—118; macroeconomic—108; health and primary education—138; higher education and training—125; goods market efficiency—98; labour market efficiency—37; financial market development—89; market size—26; business sophistication—99; innovation—110; infrastructure—132; technological readiness—105. Access to new technologies is important for ensuring full participation by all people in new opportunities related to employment, education, health, governance or peace-building, thus accelerating progress towards the achievement of other development goals. (Measuring information society, ITU 2014). In the search for an understanding of the performance and behaviour of the technological and industrial systems, Ogbu et al. (1995) made the following assumptions:

(i) Technology is essential to the development process, and long-term structural change is technology driven.
(ii) The growth of systems is an evolutionary process; therefore, technological and organisational learning cannot be circumscribed.
(iii) Explicit efforts and investments are essential preconditions for learning and development; that is, learning is not an automatic outcome of capital accumulation and investment.

5.2 Low Investments

Shortage of long-term funds has made it difficult for Nigerian firms to make appropriate investments in modern machines, information and human resources development, which are critical in reducing costs, raising productivity and improving competitiveness. This implication of low investments in manufacturing is captured by Nkamnebe and Okeke thus:

> One direct consequence of all these on the Nigeria's entrepreneurial development is the emergence of mainly periodic/incremental and continuous/incremental entrepreneurship.

> This class of entrepreneurs is at most active and fulfilled with mere distributive activities. At best, they serve sheer distributive posts for foreign consumer goods. (2006: 358)

5.3 High Cost of Production

The Central Bank of Nigeria CBN reports, that since the introduction of SAP, high and increasing costs of production have been cited by most business organizations in Nigeria as a major constraint on their operations. Increased costs traced largely to poor infrastructural facilities, high interest and exchange rates, and diseconomies of scale, have resulted in increased unit prices of manufactures, low effective demand for goods and capacity utilization rates issues. Majority of these problems can only be addressed by government. Power supply which is one of the major constraints to the manufacturing and fixing the power sector will lead to actualising SDGs Goal 7: "Ensure access to affordable, reliable, sustainable and modern energy for all". However, the policies put in place to boost output and productivity and reduce production costs have not been successful. Thus the lingering problem suggests that factors which constrain production in the sector far outweigh the positive effects of the policies. Prominent among the factors is poor performance of infrastructural facilities, characterized by frequent disruption in electric power and water supplies and inefficient transportation systems. Weak infrastructure is a major constrain Nigeria's growth potential.

5.4 Education and Innovation

Education is the driver of development and incudes primary, secondary and tertiary education. Primary and secondary education are categorised as basic education that are necessary in laying good foundation for the development of the mind. Tertiary education on the other hand is for developing high level manpower necessary in harnessing the natural resource endowments of any country for the development of that country. Emphasizing the need for education and innovation as well as in the analysis of the factors and institutions that determine long-term growth and prosperity, WEF-GCI (2017) notes:

> Incentivizing innovation is especially important for finding new growth engines, but laying the foundations for long-term, sustainable growth requires working on all factors and institutions identified in the Global Competitiveness Index. Leveraging the opportunities of the Fourth Industrial Revolution will require not only businesses willing and able to innovate, but also sound institutions, both public and private; basic infrastructure, health, and education; macroeconomic stability; and well-functioning labour, financial, and human capital markets. (p. xi)

The education system needs to teach competences that are relevant to the modern economy. WEF-GCI (2017) emphasize that: even lower-skilled jobs increasingly

require talent and knowledge, so vocational training and secondary education need to equip people with the ability to work in a complex, digital environment. Innovation occurs in an ecosystem where businesses, regulations, and social norms promote connectivity, creativity, entrepreneurship, collaboration, and the adoption of the latest technologies to generate new ideas and bring new products and business models to market WEF-GCI 2017). These concepts are measured by four pillars: technological adoption, market size, business dynamism, and innovation capacity. Nigeria currently ranks 110 in innovation in the competitiveness index which explains the poor performance of the manufacturing industry.

6 Conclusions and Implications

Manufacturing is yet to take its pride of place in Nigeria and urgent steps must be taken to address the many problems afflicting the sector. Governments should encourage inter-firm linkages which is seriously lacking in the country presently, among SMIs, and between them and large firms in order to increase skills, business information and production, quality control, export marketing and sales opportunities. Clustering to provide trade, investment and technology linkages can create synergies for the improvements and modernisation of the industrial sector. Moreover, government should reorient domestic R&D institutes to make them more demand-driven through, inter-alia, the provision of extension services that would be of particular benefit to SMIs (UNCTAD IX, nd). This is most important given that over 90% of enterprises in the manufacturing sub-sector in Nigeria fall within the SMIs category. Past and present administration in Nigeria have recognised the imperatives of clustering in developing the manufacturing sector through the establishment of industrial clusters that attract amenities easily. For instance the ERGP emphasised the need for the establishment of Micro, Small and Medium Enterprises (MSME) and ICT clusters that will attract government incentives especially fiscal, regulatory and infrastructure among others (FRN, 2017). There is still a large dose of inefficiencies in the economy, with significant under-utilisation in industry as well as waste of public spending (Soludo 2006). All these demonstrate that with the right reforms/economic policies that provide basic manufacturing and other infrastructure, finance, and legal-institutional frameworks, manufacturing will take its pride of place in the Nigerian economy. In addition to all these, governments needs to properly define its role in the Nigerian economy. The informal sector is estimated at between 40 and 50% and is difficult measure. No meaningful development can be achieved in an economy that is largely informal. Large scale industrial complexes are lacking. The governments' efforts at establishing steel complex have not been very rewarding. A good example is the Ajaokuta Steel Complex initiated more than 30 years ago and which was supposed to be the bedrock of industrialisation in Nigeria. According to a report in Premium Times, "the federal government had spent over $10 billion over 34 years on the Steel Complex and would require another $2 billion to complete the plant" (Premium Times, 2018). This is about the worth of Nigeria's richest man Alhaji Aliko

Dangot. Whether market forces will address the issue of industrialisation is an open question. UNIDO (2016) maintain that "if productivity growth goes hand in hand with accelerated growth of output, the net effects on employment can be positive" p. 10. In designing inclusive and sustainable industrial development UNIDO (2016, p. 10) recommends policies: "a country's competitiveness, technology and industrial policies for innovation need to be complemented by infrastructure policies, industry representation, and business-enabling trade and investment. These policies are prerequisites for integrating into global value chain (GVCs), but they should be complemented with a more radical macroeconomic approach and strategic investment policies. Complementary policies should address possible trade-offs and ensure a balance between environmental and social objectives".

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Goal 16 of the UN Sustainable Development Agenda and Its Implications for Effective Governance and Sustainability in the Nigerian Banking Sector

Adebimpe Lincoln, Oluwatofunmi Adedoyin and Jane Croad

1 Introduction

This research seeks to explore sustainable development in the Nigerian Banking Sector in light of the United Nations Sustainable Development Goals (SDGs). The research focuses in particular on corruption and legal regulatory deficiencies and potential impact on governance and sustainability within the sector. The rationale for the study stems from the fact that banks are significant to the growth and survival of any socio-economic system (BCBS 2014). The pivotal role banks play by providing efficient payment systems and their function as conduits for the implementation of monetary policies and financial intermediation in developed and developing countries boosts capital formation and stimulates productivity growth (BCBS 2014; Lincoln and Adedoyin 2017). Considerable criticism has been levied against banks in the last decade as a result of numerous scandals and failures that have significantly affected the global economy (Lincoln et al. 2017; Lincoln and Adedoyin 2017). From a Nigerian perspective the 2009 banking crisis occurred just three years after commendable banking reforms undertaken by the Central Bank of Nigeria (CBN 2006; Akinpelu 2012). The Nigerian banking crisis revealed vast corporate governance problems ranging from corrupt practices by officials at all levels; lack of accountability, disclosure and transparency; and weak legal, institutional and reg-

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ulatory environment to curtail mismanagement by BODs and management (Sanusi 2010a; Olayiwola 2010; Akinpelu 2012; Lincoln et al. 2017).

Black et al. (2002) postulate that good corporate governance is essential especially in developing and emerging nations as it generates employment, reduces poverty and stimulates economic growth. According to the The Economic Commission for Africa (ECA 2002) corporate governance is of immense importance in light of potential benefits that can be gained. For example, corporate governance is said to develop local capital markets, foster competitive advantage and attracts private domestic and foreign investors. Corporate governance signals a government's commitment to promoting an effective, corrupt-free administration and legal environment thus contributing to socio-economic stability in Africa (NEPAD 2007). Corporate governance is important to the private sector including banks and the financial system as a whole (Basle Committee for Banking Supervision: BCBS 2006, 2010, 2014). The BCBS (2010) states that well-governed banks contribute to the maintenance of a cost-effective and efficient supervisory system. This is because more reliance can be placed on the bank's internal processes (e.g. board of directors) to ensure good corporate governance practices (BCBS 2010). Good corporate governance practices are also beneficial during a banking crisis because boards can be relied on to provide and implement appropriate remedies (BCBS 2010; United Kingdom Cross-Parliamentary Commission: UKCC 2013). Corporate governance ensures shareholder wealth maximisation in a legal, ethical and sustainable manner while ensuring fairness to all stakeholders (Murthy 2006).

A good governance structure ensures that only competent managers are selected to run the firm (Tirole 2001). It also ensures that such managers are accountable for all their actions and respect stakeholders' interests and rights (Filatotchev et al. 2006). Thus, good corporate governance reflects a firm's culture, policies and values, including its relationship with stakeholders and its commitment to such values (Murthy 2006). The question then begs: *What mechanisms should firms adopt to ensure good corporate governance and sustainability?* Wanis (2007) emphasised that the foundation of good corporate governance is to direct firm affairs in ways which ensure fairness to all stakeholders through superior leadership, strategic objectives, good ethics, accountable and transparent management, respect for applicable laws, and an acceptance and understanding of social and communal responsibilities. Corporate governance enhances firm performance as it creates an environment that motivates managers to maximise shareholder wealth, enhance operational efficiency, discharge stakeholder expectations thus promoting sustainable development (Murthy 2006).

2 United Nations Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs) focuses on sustainable agenda and action plan for people, planet and prosperity (UN 2015, 2018). The UN recognises the important role stakeholders play in implementing sustainable development and in shifting the world on to a sustainable and resilient path (UN 2015,

2018). The UN proposes 17 ambitious Sustainable Development Goals and 169 targets. The universal Agenda proposed balances the three dimensions of sustainable development in extant academic literature namely economic, social and environmental dimension. The 17 Sustainable Development Goals include

- Goal 1. End poverty in all its forms everywhere
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3. Ensure healthy lives and promote well-being for all at all ages
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all Goal 7 Ensure access to affordable, reliable, sustainable and modern energy for all Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable Goal 12. Ensure sustainable consumption and production patterns
- Goal 13. Take urgent action to combat climate change and its impacts
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

According to the UN (2015) "the Sustainable Development Goals will stimulate action over the next 15 years in areas of critical importance for humanity and the planet". This paper focuses on Goal 16 which seeks to build effective, accountable and inclusive institutions at all level. Of importance is the need to ensure that by 2030 the rule of law is promoted at the national and international levels and ensure equal access to justice for all. Goal 16 seeks to substantially reduce corruption and bribery in all their forms and develop effective, accountable and transparent institutions at all levels, whilst also seeking to broaden and strengthen the participation of developing countries in the institutions of global governance. The progress report by the UN in 2016 and 2017 respectively shows that more consolidated effort is required. The UN reports that a significant gap exists in citizens' access to and trust in authorities and that "opaque, burdensome and inefficient regulations and procedures nurture opportunities for corrupt officials to extract bribes or unofficial payments". The study

therefore seeks to evaluate the perceptions of various stakeholders on the impact of corruption and legal regulatory deficiencies on corporate governance and sustainable development. In addition to the research aim mentioned above, the study sought to answer the following research question:

- What are perceptions of the key stakeholder groups on current corporate governance and accountability practices in Nigerian banks?
- What is the impact of corruption on corporate governance and sustainable development in the Nigerian Banking Sector?
- What is the impact of legal regulatory deficiencies on corporate governance and sustainable development in the Nigerian Banking Sector?

3 Defining Corporate Governance with a View on Sustainable Development

There is growing consensus that corporate governance should provide a hierarchy of accountability that ensures that firms are accountable for their actions (Fassin 2009; Solomon 2010; Claessens and Yurtoglu 2012; Lincoln and Adedoyin 2017). The bone of contention however, is to whom such accountability is owed? Advocates of the shareholder corporate governance definition restrict accountability to shareholders (Cadbury Report 1992; Shleifer and Vishny 1997) whereas supporters of the wider stakeholder definition assert that accountability is owed to various stakeholder groups (e.g. Weimer and Pape 1998; Cadbury 2000). However, within the wider stakeholder-centric definition, some scholars assert that accountability should be restricted to stakeholders who have either a contractual or legitimate relationship with the firm (Tricker 2012), whereas others advocate accountability to society as a whole (Claessens and Yurtoglu 2012).

No universally acceptable definition of corporate governance exists (Akinpelu 2012; Lincoln and Adedoyin 2012; Lincoln et al. 2013; Mallin 2013). In addition, dissimilar strategies adopted in countries on a national level thwart attempts at a universal definition (Clarke 2004; Aguilera and Jackson 2010). Therefore, the definition of corporate governance is often based on the perspective of the researcher, practitioner or policy-maker (Mallin 2013; Lincoln et al. 2013). There are narrower stakeholder corporate governance definitions in which accountability is restricted to legitimate stakeholders because they directly contribute to the success of firms. For example, Tricker (2012: p. 4) states that "*corporate governance covers the activities of the board and its relationships with the shareholders or members, and with those managing the enterprise, as well as with the external auditors, regulators, and other legitimate stakeholders*".

There is however general consensus in the academic literature that good corporate governance systems should embrace socially responsible practices and establish accountability relationships between firms and stakeholders (Lincoln and Adedoyin 2017). This view is also evident in some of the definitions put forward in recent times.

For example, Solomon (2010: p. 6) defined corporate governance as "*The system of checks and balances, both internal and external to the company, which ensures that companies discharge their accountability to all stakeholders and act in a socially responsible way in all areas of their business activities*". This is a wider societal perspective of corporate governance because it advocates for firms to be accountable to stakeholders, including contractual stakeholders who are directly affected by firm activities for example shareholders, managers, and other employees, suppliers, customers and other external non-contractual stakeholders for example 'society' whose interest can be affected by the actions of firms.

This paper adopts the wider corporate governance perspective of the BCBS Principles (2010: pp. 6–7), in which governance is defined as "*The allocation of authority and responsibilities, i.e. the manner in which the business and affairs of a bank are governed by its board and senior management, including how they: set the bank's strategy and objectives; determine the bank's risk tolerance/appetite; operate the bank's business on a day-to-day basis; protect the interest of depositors, meet shareholder obligations, and take into account the interest of other stakeholders; and align corporate activities and behaviour with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations*". This wider stakeholder corporate governance definition is adopted because it encompasses a good corporate structure that determines accountability relationships between the bank and a wide set of stakeholders affected by its activities. It emphasised that external corporate governance mechanisms such as a bank's relationship with its depositors, shareholders and other stakeholders determines the success of banks and has sustainable development agenda at its core (BCBS 2010).

4 Corruption and Legal Regulatory Deficiencies as a Challenge to Corporate Governance and Sustainable Development

Corruption has been identified as one of the external factors infringing good corporate governance practices and sustainable development in Nigeria (ECA 2002; NEPAD 2013; UN 2015, 2018). According to the African Governance Report (AGR I 2005), corruption is the most serious national problem next to poverty and unemployment in Africa. Corruption impedes economic growth by discouraging foreign investments, creating a distortion in resource allocation and competitive markets, increasing business costs, and reducing the net-value of public spending. It also stated that corruption generates weak public services and infrastructure, weak tax revenues and misappropriation of scarce resources. The Corruption Perceptions Index by Transparency International (2013) served as a reminder that abuse of power, secret dealings, bribery, nepotism and cronyism continues to affect development in Africa. From the 177 countries assessed, only seven African countries ranked above fifty, Botswana, Seychelles, Rwanda, Mauritius, Lesotho, Namibia and Ghana. Although

findings derived from Transparency International (2013) concern the public sector, the private sector can also be a haven for corruption. Therefore, good corporate governance and a culture of disciple, honesty and accountability are viewed as effective tools in promoting sustainable development and minimising corruption in Africa (Odinkalu 2010; UN 2015; Adegbite 2015b; Lincoln and Adedoyin 2017; UN 2018).

Various international bodies have stated that legal, judicial, regulatory and monitory systems are a further important indicator of the credibility of the financial market and the overall economy (ECA 2002; NEPAD 2007; BCBS 2010; Claessens and Yurtoglu 2012). According to Wilson (2006) laws and various codes of corporate governance can only attain good governance on the proviso that the underlying national legal and regulatory frameworks are strong and competent. While institutions and legal framework for effective corporate governance exists in Nigeria, however, the mechanisms for compliance and enforcement are weak or non-existent (Inyang 2009; Lincoln and Adedoyin 2012). According to various writers the real challenges to sustainable development and good corporate governance in Nigeria include weak, corrupt, inefficient, inadequate legal and regulatory environments that are failing to ensure compliance with CAMA and applicable corporate governance codes (Wilson 2006; Inyang 2009; Okpara and Kabonjo 2010; Adekoya 2011; Akinpelu 2012; IMF 2013; Lincoln et al. 2017). This view is also supported by Adegbite (2015a) who states that "*Although corruption is rife in the public sector, its base is grounded in corporate Nigeria. This ranges from corruption in the financial markets, the prevalence of fraud within the banking system, the oil subsidy scam, and the widespread bribery of government officials and regulators by local and foreign businesses*".

In addition, Sanusi (2010a, c, d) found that regulators failed to fulfil their oversight functions because they failed to foresee massive changes in the banking sector and eliminate weaknesses in corporate governance post-consolidation. For example, the CBN had pre-empted that banks could be exposed to significant losses due to the unprecedented investment in the sector and the lack of a robust risk management system (CBN Code 2006). It had also predicted that the extraordinary capital inflows and intense competition in the sector could cause a resurgence of high level malpractices to boost profits (CBN Code 2006). The 2008 comprehensive audit conducted by the CBN labelled the banks as sound yet a year later only 15 banks (60%) were considered healthy, eight (32%) were distressed and two (8%) were grossly undercapitalised (Adekoya 2011). Furthermore, Adegbite (2015b) stated that collusion between regulators and firms to evade the law and codes of corporate governance highlighted widespread corruption.

Sanusi (2010a) admitted that the CBN failed to effectively enforce its own corporate governance code and monitor strict compliance, despite its inexhaustible powers. Sanusi (2010a, c, d) notes that the CBN supervision department was not structured to oversee and enforce regulation. Individuals in the supervision department were not held accountable for addressing key industry issues such as corporate governance, risk management, fraud, money laundering, cross-regulatory co-ordination, enforcement and legal prosecution (Sanusi 2010a). No person was accountable for ensuring that on-site and off-site examination policies and procedures were well adapted to the Nigerian environment (Sanusi 2010a). Moreover, the geographic separation of on-

site and off-site examiners prevented the integration and effectiveness of the teams (Sanusi 2010a). The lack of urgency with the examinations of banks also meant that some examinations were taking over nine months to complete, which meant that the follow-up on recommendations provided rolled into the following year's examination (Sanusi 2010a). Consequently, the sector was viewed as healthy because a culture of tolerance and acceptance of the status quo coupled with the shortage of specialist skills compromised the effectiveness of the CBN as a supervisory body (Sanusi 2010a).

Additionally, Sanusi (2010a, d) stated that the lack of co-ordination between the regulatory bodies prevented the CBN from fulfilling its functions because it was unable to have a comprehensive consolidated view of bank activities. Sanusi (2010a) observed that despite widespread knowledge of bank malpractice and propensity for regulatory arbitrage, the FRSCC did not meet for two years. The CBN also did not receive examination reports from the SEC covering bank subsidiaries. Moreover, the CBN failed to sufficiently discipline banks. Banks failed to comply with recommendations contained in examination reports sent by the CBN (Sanusi 2010a). The sanctions for non-compliance were insufficient to ensure compliance by banks. There were no personal consequences for directors who failed to comply with the recommendations of examination reports. As the CBN had allowed this practice to go unchecked, the supervision process was compromised and supervisors found it difficult to measure the progress of each bank against its compliance with recommendations (Sanusi 2010a).

Irrespective of significant progress in recent years, the Nigerian regulatory and supervisory frameworks still have gaps and weaknesses (IMF 2013). Nigerian banks still operate an irrational framework of laws, regulations, circulars and guidelines that are not fully comprehended (IMF 2013) There is also a lack of sufficient infrastructure, expertise and human capital in the supervisory and regulatory environment (IMF 2013). Consequently, various international agencies such as the IMF (2013) and the UN (2015, 2018) recommend that significant improvements to the legal and regulatory environment require the participation and collaboration of the supervisory and regulatory authorities, and other stakeholders.

5 Research Methodology

The study adopts a mixed method approach involving the use of a survey and semi-structured interviews with four key stakeholder groups. A questionnaire survey allows for the collection of large-scale data from participants in dispersed geographical locations. It reduces researcher bias and allows participants' the opportunity to partake at their own pace (Saunders et al. 2007). The questionnaire used for this study adopts a combination of closed-ended and Likert scale questions, including one open-ended question. The use of closed ended and Likert scale questions enabled ease of coding and enhanced the comparability of responses in the data analysis. The open-ended question at the end of the questionnaire provided participants with the

opportunity to contribute additional knowledge and understanding of corporate governance and sustainable development in Nigerian banks in light of Goal 16 of the UN Sustainable Development Goals.

A complete list of customers, depositors, shareholders and employees of the study banks was not readily available. To overcome these sampling difficulties, official statistics were obtained from the websites and annual reports of the study banks. The branches of the study banks were used as the platform to distribute the questionnaires. A multi-stage cluster sampling procedure was adopted because of the dispersed geographical location of bank branches in Nigeria, coupled with time and financial constraints. Sekaran (2003) produced a framework which provides an adequate sample size at varying degrees of accuracy. Using this technique, a purposive decision was made on a total sample size of 1840. The samples were subsequently broken into sub-samples comprising an even representation of each stakeholder group across the two main local government areas selected for the study.

To protect the identity of the interviewees, a pseudonym is assigned to each stakeholder group i.e. shareholders = S (1–4); managers = M (1–4); auditors and accountants = A (1–4); and regulators = R (1–4). Data obtained from the questionnaire was analysed using the Statistical Package for Social Sciences. Data was analysed using statistical analysis. The majority of questions were based on the 5 point Likert scale ranging from strong disagreement to strong agreement (1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly agree). Pseudonyms were assigned to the study banks because of the sensitive nature of banks and the ethical responsibility for ensuring confidentiality and anonymity. The K-W and M-W tests were conducted to test differences between the independent samples. The K-W Analysis of Variance test was used because the questionnaire derived predominantly ordinal data. As the K-W test is used for calculating differences between three or more groups for statistical significance, it was utilised because it allowed comparison of opinions of the four stakeholder groups. Similar to most tests in the social sciences, the study was conducted at a 5% level of significance (*P*-Value is less than 0.05) and 95% level of confidence (Pallant 2005). The M-W test was used to test the difference between two independent groups of different sizes and used to verify which pairs of group averages were significantly different.

Semi-structured interviews were also used to collect specific sustainability and corporate governance information from management, monitory bodies, owners and policy-makers. In arriving at an appropriate sample size, various academic perspectives on research methodology were considered. Guest et al. (2006) suggested that conducting twelve interviews is adequate for a research in which the aim is to understand commonalities between fairly homogenous groups. Semi-structured interviews were conducted with bank managers; regulators; shareholders; and accountants and auditors respectively, making a total of 16 interviews. The selection of chosen interviewees was based on the role, functions and influence of these individuals to the practice and development of corporate governance in Nigeria. Purposive non-probability sampling was adopted to identify suitable participants. Snowball sampling was also adopted as an ancillary sampling technique to derive access to other participants. In

arranging the interviews, initial contact was made by telephone to arrange a convenient time and venue with the interviewees.

The Cronbach's Alpha test was used to statistically test the internal consistency of the results obtained. Bryman and Bell (2011) found that obtaining a figure of 0.80 denotes an acceptable level of internal reliability using the Alpha test. The Cronbach Alpha coefficient for the items in the study is 0.93. As the internal reliability value is above 0.80, the data derived from the survey has a satisfactory level of internal consistency.

6 Analysis and Discussion of Findings

The literature review emphasised that corporate governance practices of banks is connected to the external economic, socio-cultural, and political environment (ECA 2002; Wilson 2006; NEPAD 2007; Amaeshi and Amao 2008; Adegbite 2012; Akinpelu 2012; Claessens and Yurtoglu 2012). The United Nations SDGs reports that opaque, burdensome and inefficient regulations and procedures nurture opportunities for corrupt officials to extract bribes or unofficial payments thereby hindering sustainable development and effective governance (UN 2015). Corruption is one of the external factors impeding the mainstreaming of corporate governance in the majority of African countries (AFDB 2007). The study sought to discover the opinions of the interviewees and questionnaire survey participants on the effect the Nigerian external environment has on corporate governance practices and sustainable development. As depicted in Table 1, the participants strongly agreed that the external environment negatively impacts good corporate governance practices in Nigerian banks and that corruption has a negative impact on sustainable development and good corporate governance practices in Nigerian banks with a mean of 4.37 for Q1d. The K-W revealed significant differences in the responses between the participants (*P*-Value is 0.00) for all statements. The interviewees identified corruption as a deterrent to good corporate governance practices in Nigerian banks further supporting the UN viewpoint in promoting sustainability by 2030. They viewed corruption as an endemic issue embedded in Nigeria, trickling down from the government to banks. For example, a manager interviewee M1 highlighted that Nigeria has been ranked as one of the most corrupt countries in the world because corruption pervades its institutions and citizens. The interviewees also stated that corruption is deeply rooted because the Nigerian economic environment is riddled with poverty and a lack of social security. They stated that this ensures that corporate governance mechanisms, such as the judiciary and regulators, often fail to fulfil their functions. As an auditor interviewee (A1) stated:

> Corruption has become an endemic problem in Nigeria. I know corruption is a world wide problem and that you cannot eliminate it but at least you can reduce it via institutions in the form of sanctions and rules. In Nigeria, it is not so rather it is an endemic problem. We are not ready to fight corruption especially corruption in the judiciary.

Table 1 Group means and K-W tests showing the views of stakeholder groups on the impact of corruption and external factors on sustainable development and corporate governance practices

Statements	Group means				K-W test			
	E	S	C	D	Overall mean	Rank	*P*-value	Result
Q1a—The political environment has a negative impact on corporate governance practices and sustainable development in Nigerian banks	4.29	4.15	4.27	4.57	4.33	4	0.00*	Significant
Q1b—The economic environment has a negative impact on corporate governance practices and sustainable development in Nigerian banks	4.24	4.10	4.34	4.63	4.34	3	0.00*	Significant
Q1c—The socio-cultural environment (e.g. family connections, nepotism and tribalism) has a negative impact on corporate governance practices and sustainable development in Nigerian banks	4.24	3.98	4.09	4.52	4.22	5	0.00*	Significant
Q1d—Corruption has a negative impact on corporate governance practices and sustainable development in Nigerian banks	4.31	4.06	4.32	4.72	4.37	2	0.00*	Significant
Q1e—Improvements in tackling corruption will improve corporate governance practices and sustainable development in Nigerian banks	4.29	4.19	4.36	4.66	4.39	1	0.00*	Significant

The finding mirrors the AFDB (2007) and UN (2018) which identifies that bribery, corruption and a weak rule of law impedes the mainstreaming of corporate governance in several African countries. It supports Sanusi (2010c) who found that corruption and political instability are the root causes of poor macroeconomic environment in Nigeria.

Similarly, the questionnaire survey participants strongly agreed that corruption has a negative impact on corporate governance practices and sustainable development in Nigerian banks (Q1d) further reaffirming Goal 16 of the UN SDGs. As illus-

Table 2 M-W tests showing the views of stakeholder groups on the impact of corruption and external factors on corporate governance practices and sustainable development

Questions	Group (E-S)	Group (E-C)	Group (E-D)	Group (S-C)	Group (S-D)	Group (C-D)
Q1a	0.00*	0.35	0.00*	0.02*	0.00*	0.00*
Q1b	0.00*	0.21	0.00*	0.00*	0.00*	0.00*
Q1c	0.00*	0.07	0.00*	0.01*	0.00*	0.00*
Q1d	0.00*	0.90	0.00*	0.00*	0.00*	0.00*
Q1e	0.03*	0.68	0.00*	0.01*	0.00*	0.00*

trated in Table 2, the M-W test revealed five statistically significant relationships: three relationships between depositors and the customer, employee and shareholder groups; and two relationships between shareholders and the customer and employee groups for Q1d. Although the group mean scores show that the groups supported that corruption has a negative impact on corporate governance practices and sustainable development in Nigerian banks, the depositors provided the strongest support with means of 4.72 whereas the shareholders provided the weakest support with means of 4.06. A possible explanation for the strong support provided by these groups was provided by a shareholder participant who claimed that his boss buys shares based on insider information from another stock broking firm.

The interviewees stated that because corruption permeates banks, boards, management, other employees actively seek loopholes they can exploit for personal ill-gains at the expense of stakeholders. This finding supports the view on how corruption and the creative manipulation of funds and the market contributed to the ability of banks to artificially inflate their worth. A regulator interviewee R1 asserted that corruption makes it difficult for the CBN to fulfil its supervisory and regulatory functions. He stated that the CBN is often "*overwhelmed and overstressed*" because it heavily invests in training employees so they can easily detect corruption. He also stated that corruption impairs the ability of the legal and regulatory environment to prevent high levels of sharp practices. Some interviewees opined that solutions to curtail corruption cannot be found in mechanisms implemented by the CBN, such as Cashless-Lagos. The interviewees argued that Cashless Lagos can only reduce some levels of fraud and corruption in Nigeria because stakeholders and banks bypass the policy.

The interviewees argued that mechanisms implemented by the CBN to curtail corruption are often ineffective because the Nigerian political and socio-cultural environment negatively affects corporate governance practices. Similarly, as depicted in Table 1, the questionnaire survey participants agreed that the Nigerian economic environment negatively affects corporate governance practices in Nigerian banks with a mean of 4.34 (Q1b). The questionnaire survey participants also agreed that the political environment negatively impacts corporate governance in Nigerian banks with a mean of 4.33 (Q1a); and the socio-cultural environment (i.e. family connections, nepotism and tribalism) negatively affects corporate governance in Nigerian

banks with a mean of 4.22. The finding derived for the negative effects of the socio-cultural environment on corporate governance practices in Nigerian banks supports Ahmed (1996) who stated that there is a strong tendency imbibed in the typical Nigerian economic agent to circumvent laws and rules. It also mirrors Ahunwun (2002) who identified corruption and ethnic and tribal tensions as impediments to corporate governance practices. Also, it echoes Sanusi (2012) who argued that the societal reluctance of Nigerians to accept good corporate governance hinders its implementation in banks.

In terms of the political environment, the interviewees stated that the legacy of military regimes and autocracy has created a nation where people fail to demand accountability. They opined that this has affected the way stakeholders interact with corporate governance issues in banks. Also, the interviewees asserted that the political environment has made the sector highly politicised because the President of Nigeria appoints the Governor of the CBN. Irrespective of the CBN ownership restrictions, fourteen interviewees stated that government ownership circumvents good corporate governance practices. They argued that some individuals are appointed on BODs and management based on political connections and personal favours instead of qualifications, merit and integrity. However, a regulator interviewee R4 argued that the political environment does not affect corporate governance practices because of the CBN and competition between banks. Fourteen interviewees stated that the Nigerian socio-cultural environment affects good corporate governance practices. The interviewees opined that because Nigeria is heavily dependent on personal relationships and family-ties, factors such as tribalism and favouritism directly influences corporate governance practices. For instance, a manager interviewee M4 declared that tribalism influences the selection of directors, senior managers and other employees in his bank. He noted that:

> You just have to look at ownership structure of a bank to know that the selection of management reflects the tribe of the owners. My bank for example is seen as an Igbo bank because the majority shareholder is Igbo and a lot of people in senior management are Igbo's. I would have said it was a one off incidence but when I compare my bank to other banks I can a pattern. So it is easier for an Igbo man to succeed in my bank than a Yoruba man. If you find a Yoruba man at the helm of power then he must be working harder than his Igbo counterparts just to get recognition.

The interviewees also stated that diverse ethnic groups and the culture of respecting elders and leaders impair good corporate governance practices. They opined that there is a cultural expectation that influential and powerful people should use their authority and position to personally benefit their family and tribe. They noted that individuals who fail to promote their family and tribe are socially excluded. For instance, an auditor interviewee A3 argued that this directly impacts on the exercise of stakeholder rights because "*if you are not a big man no one will listen to you*". A shareholder interviewee S2 asserted that the Nigerian socio-cultural environment encourages a negative attitude to discipline and a social tendency to distrust and avoid being monitored. He stated that self-regulation is impeded because Nigerian culture makes it difficult to entrust governance practices in the hands of banks, boards and

management. Additionally, the regulatory interviewees stated that the socio-cultural environment, especially tribalism, negatively influences CBN investigations.

Consequently, the interviewees recommended that banks have to reconcile the Nigerian socio-cultural environment with good corporate governance practices to keep up with global practices and attract foreign investors. For instance, a shareholder interviewee S2 opined that unless there are changes in the socio-cultural environment, the sector will continue to be heavily dependent on regulators to compel good corporate governance practices. The questionnaire survey participants, on the other hand, stated that the corporate governance practices of Nigerian banks should improve if corruption is tackled with a mean score of 4.39 (Q1e). This finding corroborates the interview results. It also supports the UN (2015) who posits that a culture of good corporate governance and accountability are effective tools to minimise corruption.

7 The Impact of Legal Regulatory Deficiencies on Corporate Governance, Accountability Practices and Sustainable Development

The study sought to elicit the opinions of the interviews and the questionnaire survey participants on the effect of the legal system on corporate governance, accountability practices and sustainable development.

As depicted in Table 3, the questionnaire survey participants disagreed that the laws and systems in Nigeria are adequate, effective and provide an appropriate environment for corporate governance and accountability practices (Q2a and Q2b). The questionnaire survey participants also disagreed that the courts play a significant role in sustainable development by maintaining a high level of corporate governance practices in banks (Q2c). Although the participants disagreed with Q2a–c, the K-W test results revealed statistical significant differences between the groups (*P*-Value is 0.00).

Similar to the result derived for the questionnaire survey, the interviewees expressed their dissatisfaction with the Nigerian legal system. They stated that the legal system fails to promote sustainable development agenda and negatively affects corporate governance practices in banks. For instance, the regulator interviewees asserted that the legal system negatively affects their ability to regulate banks. Fourteen interviewees opined that laws and corporate governance codes adequately promote good governance mechanisms, including accountability in banks. However, two interviewees questioned the adequacy of the laws and corporate governance codes. A shareholder interviewee S1 questioned the effectiveness and relevance of CAMA (1990). He recommended that CAMA be revised as it is archaic and not aligned with current companies' law practices, especially in relation to penalties imposed on erring directors and auditors. This mirrors the ROSC (2011) which found that CAMA does not align the corporate governance practices of Nigerian banks with

Table 3 Group means and K-W tests showing the views of stakeholder groups on the legal regulatory deficiencies

Statements	Group means				K-W test			
	E	S	C	D	Overall mean	Rank	*P*-value	Result
Q2a—The laws and systems in Nigeria are adequate, effective and provide an appropriate environment for corporate governance practices	2.43	2.26	2.65	2.72	2.52	3	0.00*	Significant
Q2b—The laws and systems in Nigeria are adequate, effective and provide an appropriate environment for accountability practices	2.39	2.23	2.65	2.65	2.49	4	0.00*	Significant
Q2c—The courts play a significant role in maintaining a high level of corporate governance practices in banks	2.40	2.20	2.61	2.69	2.48	5	0.00*	Significant

international standards. It supports the IMF (2013) which found that Nigerian banks still operate an incomprehensive framework of laws, regulations, circulars and guidelines. However, the interviewees questioned the effectiveness of the FRC proposed national code. They noted that because banking is essentially a business of risk management, stringent provisions applicable to banks will not be appropriate for other businesses. This supports the UKCC (2013) who recommended that a separate corporate governance code should be implemented for UK banks.

The interviewees agreed that the legal system has failed to foster good corporate governance practices in Nigerian banks. For example, an auditor interviewee A1 highlighted that the provisions of CAMA and corporate governance codes which foster board and management accountability and responsibilities is ineffectual because of a weak judicial system. The interviewees stated that the legal system is ineffective because most lawyers and judges are not banking specialists and do not fully comprehend the laws and corporate governance codes. For instance, a shareholder interviewee S2 stated that the laws and corporate governance codes are implemented with good intentions however the spirit is often lost because individuals are left to grapple and interpret it the way they deem proper, which is often inadequate and weak.

The interviewees opined that the legal system is weak because corruption and inexistent due-process hinders stakeholder rights. They stated that bad corporate governance practices still exist in banks because the judiciary is easily bribed. For instance, an auditor interviewee A3 argued that Nigerian stakeholders are often denied their

rights because the legal system is corrupt. Also, the interviewees highlighted the slow pace of legal procedures and delays in decisions. They claimed that cases take a long time to be heard or remain unresolved, which impairs the exercise of stakeholder rights and obstructs a platform for resolving disputes in courts. From an African perspective, this supports NEPAD (2013) who found that the slow-paced court system and a lack of commercial courts affects the practice of good corporate governance in Botswana.

The interviewees argued that inadequacies in the legal system affect good corporate governance and accountability practices because directors and managers are not held adequately accountable for their actions. The interviewees noted that actions against some directors in the aftermath of the 2009 crisis were pursued because the CBN actively sought to recover siphoned monies from these board members with threats of imprisonment. The interviewees also stated that the rapid growth of banks, and the complexity of stakeholder relationships and its effect on the sector has emphasised the inadequacy of the legal system. Therefore, the interviewees suggested that commercial courts should be reintroduced to ensure that disputes are adequately resolved. They opined that this should ensure independent, well trained, well qualified and expert judges who specialise in commercial and banking matters constitute commercial courts. They argued that the reintroduction of special commercial courts should foster efficiency, due process and good governance in banks. As A regulator interviewee R3 stated:

> I advocate that special commercial courts should be implemented. We have advocated for this and I hope the lawmakers will approve this because at the moment litigations drag on for years. If these commercial courts are implemented, litigations will take place between a year and to years. But the challenge is for regulators to implement this for us.

8 The Effect of Regulatory, Supervisory and Monitory Bodies on Corporate Governance and Accountability Practices

The study sought the perception of interviewees and questionnaire survey participants about the effect of regulatory, supervisory and monitory bodies in promoting sustainable development and good corporate governance in Nigerian banks, in relation to the questionnaire survey.

As depicted in Table 4, the participants disagreed that the corporate governance regulatory, supervisory and monitory bodies are efficient with a mean of 2.42 for Q2d. The questionnaire survey participants also agreed that IFRS will improve the auditing and accounting practices in banks with a mean of 4.14 for Q2e. As depicted in Table 4, the K-W test revealed statistical significant differences between the groups (*P*-Value is 0.00) for Q2d and Q2e.

Similarly, the majority of interviewees were dissatisfied with the performance of the regulatory, supervisory and monitory bodies. They stated that these bodies, with

Table 4 Group means and K-W tests showing the views of stakeholder groups on the regulatory and supervisory and monitory bodies

Statements	Group means				K-W test			
	E	S	C	D	Overall mean	Rank	*P*-value	Result
Q2d—The corporate governance regulatory, supervisory and monitory bodies are efficient	2.43	2.22	2.50	2.51	2.42	7	0.00*	Significant
Q2e—IFRS will improve auditing and accounting practices in banks	4.21	4.03	4.23	4.09	4.14	1	0.00*	Significant

the exception of the CBN, have completely failed to exercise their functions. While the interviewees expressed admiration for the CBN, the majority of interviewees stated that the CBN is not completely effective. This supports the literature which found gaps and weaknesses in the Nigerian regulatory and supervisory frameworks (Inyang 2009; IMF 2012, 2013). Three regulator interviewees agreed that the CBN is not effectively exercising its role as the apex regulator of banks. For instance, R3 stated that that the CBN lacks the human and financial capital to fully fulfil its oversight functions. This mirrors the IMF (2013) which found that there is a lack of adequate infrastructure, expertise and human capital in the Nigerian supervisory and regulatory environment. Also, R4 stated that the CBN cannot effectively supervise banks because it is not independent. He recommended that favouritism and tribalism should be curtailed because it erodes the integrity and merit of some banking investigations. Some manager interviewees agreed with this assessment. They stated that a lack of professionalism and the culture in Nigeria compromises the independence of supervisors. For instance, M2 noted that some colleagues bribe CBN supervisors to adjust outcome of unfavourable investigations. She recommended that the independence of supervisors should be fostered to reveal the true financial position of banks. This suggests that bad corporate governance practices still occur in the sector because regulators are the "*agents and protectors*" of banks (Sanusi 2010b, c; Adegbite 2015b).

Furthermore, some interviewees opined that CBN employees are not adequately trained to effectively conduct their functions. For instance, a regulator interviewee R1 stated that bureaucracy and inadequate training of CBN employees ensures that the regulator remains archaic. He asserted that CBN employees lack necessary skills to conduct risk based assessment because of inadequate training, which means that banks are not fully compliant with corporate governance codes. A shareholder interviewee S1 noted that:

> All the regulatory agents sent to the bank I was working for had no clue about what they were coming to do in the bank. They had no form of training. They couldn't even understand what they were reading and they confessed that they did not understand all the papers given to them. I had to start breaking it down for them. What is the point of the CBN implementing the CBN Prudential Guidelines or insisting on following the BASLE II requirement if their

agents have not been trained to comprehend these guidelines? Most transactions in this day and age are paperless and they need to be trained to follow this trail of transactions.

Another shareholder interviewee, S4 argued that supervisors responsible for the regulation and supervising of banks have not been adequately trained. He stated that CBN agents are not competent as most employees are older people who are not technologically savvy and are reluctant to embrace change. He argued that this invariably means that weak accountability, disclosure and transparency practices exist in banks. He stated that part of the reason the 2009 crisis occurred was because the CBN failed to "*read the signs*" that a crisis was imminent. A regulator interviewee R1 agreed with this assessment. He noted that:

Even when you write a report that a bank is in trouble does it get seen to quickly? The answer is no. So we need a change at the CBN for there to be a drastic change in the banking sector.

This finding supports Sanusi (2010a) who found that critical processes, such as enforcement, pre-examination planning and people development in the CBN were ineffective to supervise and engage banks to implement good corporate governance. Moreover, a manager interviewee M1 stated that the collapse of two discount houses, ADL and CDL, proves that the CBN is still not supervising banks pre-emptively but retrospectively. He stated that:

The CBN can do better especially when one looks at the recent collapse of two discount houses ADL and CDL. These two discount houses did not submit their accounts for four years. I have found the CBN to be lacking in this regard because I don't understand why they would allow an institution to continue to run when they were in clear violation of submitting their yearly annual statements.

Nonetheless, the interviewees unanimously agreed that the CBN is the only body exercising its regulatory and supervisory functions. Some interviewees stated that because Mallam Sanusi restored some level of sanity in banks, there is a danger that a change in leadership can create instability in the supervisory and regulatory environment, and affect corporate governance development. For instance, a shareholder interviewee S2 argued that a change in CBN Governor can threaten the stability of the sector because patriotism is not imbibed in the culture and ethics of bankers. He asserted that this lack of ethical behaviour dictates the continuous use of a rules-based style of regulation and supervision by the CBN. This supports Adegbite (2012) who opined that widespread corruption encourages a rules-based regulatory system. It also supports Adegbite (2015b) who stated that that corruption exists in Nigeria because collusion occurs between regulators and firms to evade laws and corporate governance codes.

The interviewees agreed that IFRS should improve the auditing and accounting standards, and governance practices in banks. They stated that IFRS should ensure credibility and decency in the financial statements disclosed by banks. For instance, an auditor interviewee A1 stated that the adoption of IFRS has started to introduce a uniform system of accounting and evaluating financial performance in Nigeria. A regulator interviewee R1 opined that a standardised format of financial statements should

ensure that the CBN is able to efficiently conduct its investigations. A manager interviewee M3 stated that IFRS should lead to better disclosure of the financial strength of banks, including party-related transactions, and ensure that Nigerian banks are able to compete more favourably with international banks. This supports the literature found that IFRS should strengthen corporate governance standards, including accountability, disclosure and transparency, and integrity in financial reports (IMF 2013). However, the interviewees highlighted that Nigerian firms, including banks, are not prepared for IFRS. For instance, a regulator interviewee R4 asserted that problems will emerge with the implementation of IFRS because the standards were not localised to the Nigerian environment. He stated that banks are not fully compliant with IFRS because there are insufficient experts knowledgeable in the international standards.

A regulator interviewee, R1 declared that a "*fire brigade approach*" was adopted to educate bankers. He argued that most internal auditors are not proficient in IFRS which means that they are unable to fulfil their function of ensuring effective operation of the bank's risk management, governance, and internal control processes. He stated that:

> One week training the staff of the audit function within banks is not going to get these banks prepared for IFRS. How would they know what to do with on- week training? Not enough time has been allocated for this. There is a wide gap between what they did and what they should have done in the preparation of the last IFRS statements.

This mirrors the literature found that IFRS is not as relevant to developing and emerging countries because of a shortage of financially proficient individuals coupled with cost, education, training and software problems (Irvine and Lucas 2006; Mwape 2010; Asiemo 2010). Additionally, two shareholder interviewees stated that the objectives of IFRS will not be realised in Nigeria because shareholders lack adequate knowledge to comprehend financial statements. A shareholder interviewee S3, who is a stock broker, stated that IFRS can worsen the disclosure and transparency practices of Nigerian banks. He argued that bankers can window-dress financial statements by taking advantage of loopholes in the standards. S2 opined that auditors often lack the independence to remain objective. He stated that:

> I personally do not believe in financial statements even after they have been audited because I have had the opportunity to work closely with top auditors and I will just say that these auditors are constrained to see clearly. So as it is difficult for me to trust auditors, I do not trust the financial statements certified by them. There are certain disclosures that will come with the continuous implementation of the standards which I think will be adequate going forward. But you have to understand in most situations it is not about the rules but the minds of the individuals and consciousness of the individuals.

This supports Nyor (2012) who asserted that the principles-based nature of IFRS can be manipulated by bankers for profit manipulation or concealment of financial problems. Nevertheless, the interviewees agreed that improvements in disclosure and transparency practices will occur when banks embrace the true spirit of IFRS.

9 Co-operation Between Regulatory, Supervisory and Monitory Bodies

The questionnaire survey participants disagreed that the regulatory, supervisory and monitory team co-operate to achieve effective corporate governance with a mean of 2.43 for Q2f. As depicted in Table 5, the K-W test results revealed statistical significant differences between the groups (*P*-Value is 0.00).

Similarly, the interviewees highlighted overlaps between some functions of the supervisory, monitoring and regulating bodies and stated that it is often unclear who is responsible for monitoring and supervising banks. This supports Sanusi (2010a) who noted that the lack of co-ordination between regulators partly contributed to the 2009 banking crisis. The interviewees stated that the multiplicity of codes and the inability of the FRSCC to fulfil its function ensure that bodies are unable to properly monitor, supervise and regulate banks. This mirrors Sanusi (2010a) who found that the FRSCC failed to fulfil its function despite bank malpractices and regulatory arbitrage.

The interviewees noted that the inadequacies of FRSCC led to the creation of the FRC, which was established to regulate and supervise corporate governance in Nigeria, including banks. However, all interviewees questioned the role of the FRC especially in light of the fact that the CBN fulfils some of its oversight functions. A shareholder interviewee S1 also stated that functions often overlap between the plethoras of bodies; however, he highlighted the distinction between the roles of the CBN and SEC. He stated that:

> The SEC is primarily concerned with banking products. So before banks push banking products out they need to obtain SEC approval. In terms of regulation, SEC takes a back seat in preference of the CBN. It is not the primary regulator of banks. It is one of the regulators. The only time the SEC takes a front seat to the CBN is when banks have a rights issue, they want to offer shares for sale to the public or they want to reconstruct shares.

Therefore, the interviewees recommended that there should be more co-ordination between the various authorities, including the CBN, SEC, NDIC, NSE, ICAN and CAC, in order to ensure that the overlap in their function is minimised. The interviewees argued that such an effective co-ordination of regulatory, supervisory and

Table 5 Group means and K-W tests showing the views of stakeholder groups on the level of co-operation between the regulatory, supervisory and monitory bodies

Statements	Group means				K-W test			
	E	S	C	D	Overall mean	Rank	*P*-value	Result
Q2f—The regulatory, supervisory and monitory team work well together in achieving effective corporate governance	2.44	2.20	2.48	2.59	2.43	6	0.00*	Significant

monitory bodies will ensure their efficiency and also ensure that banks are prevented from exploiting loopholes arising from any overlap in their functions. This reflects the IMF (2013) and UN SDGs which recommended that significant improvements to the legal and regulatory environment require the participation and collaboration of the supervisory and regulatory authorities, and other stakeholders.

10 Conclusion

The findings show that in line with the UN sustainability agenda, corruption still remains a major deterrent to good governance practices and sustainable development in developing countries. The finding shows that, corruption is deep-rooted in Nigeria because the economic environment, which is riddled by poverty and a lack of social security, has ensured that mechanisms implemented to ensure good governance practices, such as the judiciary and regulatory authorities, often fail to fulfil their responsibilities. Furthermore, the finding reveals major inadequacies in the Nigerian Legal system. The Nigerian legal system fails to foster accountability because erring directors and managers are not sufficiently held accountable for their actions. There is a need to continue to ensure measure are adopted which align with the United Nations SDGs in curtailing the impact of corruption, ensuring good governance and promoting sustainability. The study unearths interesting findings in relation to the adequacy of regulators and supervisors in fostering good corporate governance and accountability practices and in promoting sustainable development agenda. The finding also shows that bribery, corruption and a lack of due process prevents the efficiency of the legal system. The regulatory and supervisory bodies are inefficient and consistently fail to fulfil their role and responsibilities. Furthermore, the multiplicity of bodies responsible for supervising, monitoring and regulating the financial sector negatively affects the ability of these bodies to fulfil responsibilities and protect stakeholder interests. This is because it is often unclear which body is responsible for monitoring and supervising banks. Re-establishing commercial courts will go a long way in reducing widespread corruption in the judiciary. The slow pace of legal proceedings, and other inadequacies of the legal system affects good corporate governance and does not foster accountability and sustainable development agendas because erring directors and managers are not sufficiently held accountable. Commercial courts should be created and constituted of independent, well-trained, qualified and expert judges who specialise in commercial and banking matters.

The findings also show that the laws and systems in Nigeria are inadequate, ineffective and have failed to provide an appropriate environment for governance and accountability practices. The study produces interesting findings which align with the UN SDGs. For example, one of the issue identified was the weakness in the Nigerian legal system due to the fact that majority of lawyers and judges are not knowledgeable in banking matters. The slow pace of the legal procedure and decisions often further exacerbates matters, resulting in negative implications

where cases are often prolonged or unresolved consequently impairing the exercise of shareholder and other stakeholder rights. The unfolding scenario prevents the judiciary from effectively carrying out its function and weakens the ability of courts to resolve corporate governance disputes.

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Sustainability Reporting and Its Impact on the Implementation of Sustainable Development Goals in Island Economies in Africa: A Comparative Study of Private Sector Organisations in Mauritius, Madagascar and Seychelles

Sanjiv Gungadeen and Megan Paull

1 Introduction

In recent years there has been a worldwide shift in focus, as organisations strategically incorporate sustainability into the core of their activities, and take on Sustainability Reporting (SR). Multinational corporations (MNCs) and local institutions are increasingly expected to be more accountable as the need for public disclosure on company performance in terms of social and environmental obligations has been in the ascendancy (Willis 2003; Ali et al. 2017). Although this has been the general trend globally, companies operating in Africa, particularly local companies with no MNC obligations, still lag behind when it comes to social and environmental performance and to reporting. This chapter reports on a study which aimed to reduce the gap in the body of knowledge on SR studies in the context of Africa, particularly in the island economies of Mauritius, Madagascar and Seychelles.

This study examined whether SR can drive change and motivate organisations towards more sustainable outcomes as suggested by Eccles and Krzus (2010). Although organisational change management (OCM) is a much researched topic, its relationship with SR has not yet been made clear. Sustainable organisational change has gained in importance, leading to rethinking and recasting of business models with novel management systems of performance measurement and monitoring around the world. This research seeks to provide empirical evidence to examine

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the relationships between SR and OCM in the fields of management and sustainable development.

2 The Literature on Sustainability Reporting and Organisational Change Management

2.1 Sustainability Reporting

Corporate attitudes towards sustainability reporting represent a continuum of incremental evolution since the 1970s and 1980s. Initially reporting consisted of brief information about the environmental performance of organisations. The first voluntary environmental reports were published in the late 1980s and the number of companies to have published information on the environmental, social or sustainability policies and/or impacts has continued to increase (Kolk 2004). Pressure from non-government organisations (NGOs) on MNCs has also continued to increase, particularly on those involved in environmentally sensitive operations considered to be the main polluters at that time.

Corporate interest in social reporting intensified in the 1990s and more and more companies followed the trend where much of the focus was on environmental issues (Gray et al. 1995; Kolk 2004; Mathews 1997). The reasons behind such a shift are believed to be growing calls for clear business commitments toward sustainable development from stakeholders such as NGOs. Companies also began reporting as a response to the United Nations World Commission on Environment and Development final report (WCED 1987), and preparatory to the 1992 United Nations Conference on Environment and Development (UNCED) (Perez and Sanchez 2009).

Gradually improvements in reporting saw the inclusion of more social aspects of the business environment. At the end of the 1990s the Global Reporting Initiative (GRI) was founded where initially a few dozen companies filed reports. Subsequently many companies joined the movement and started to voluntarily disclose information to stakeholders (Kolk 2004; Perez and Sanchez 2009) with some countries gradually introducing the process as being compulsory for business owners. By the mid-2000s, the GRI Framework had gathered greater momentum with the support of environmental sustainability groups and hundreds of companies producing sustainability reports.

Even though scholars have investigated SR since the 1970s, there is still no internationally agreed definition. The Brundtland Commission's (1987, p. 54) definition used in the Rio Accord characterises sustainability: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs", is among those most widely accepted. The UNEP now describes corporate SR as and being "the practice of measuring and disclosing sustainability information alongside, or integrated with, companies' existing reporting practices" (UNEP 2017) and "Sustainability information can be understood as any informa-

tion having to do with how companies use and affect financial, natural and human resources, and how their corporate governance is conducted" (UNEP 2017). The GRI (n.d.) website describes a sustainability report as:

> a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

A review of the sustainability reporting literature shows that its development has taken different forms such that the terms "sustainability", "environmental, social and governance" (ESG), "non-financial" or "corporate social responsibility" (CSR) reporting have been used interchangeably (Ioannou and Serafeim 2016). Triple Bottom Line (TBL) and the GRI standards have been identified as the most widely recognised and used reporting standards (Brueckner 2010).

Businesses continue to seek to share their progress in the economic, environmental and social dimensions with stakeholders (Dalal-Clayton and Bass 2002). Reporting has now become routine for many businesses for a range of reasons and reports are released by companies and organisations of all types, sizes and sectors, from all over the world (Ali et al. 2017; GRI 2017). KPMG data in 2013 showed an increase in reporting from 35% of surveyed companies in 1999 to 93% in 2013 (KPMG 2013). The areas of reporting have also been extended such that in its 2015 survey, KPMG reported across eight different sectors from 45 countries and 4500 companies (KPMG 2015). SR has become an important communication tool for organisations by which their initiatives and performance in relation to a more sustainable business environment are disseminated, although there is evidence that the content and quality differs even between companies reporting in the same country or economic zone (Hąbek and Wolniak 2016).

2.2 SR in Africa

Most of the studies on SR, and showing the marked increase across the world, have been conducted in Western countries or on companies whose head office or origins are in those locations. The focus of the major studies has tended to be on examining the reports of large organisations using methods such as content analysis of published reports. They have been diverse in the approach taken, analysing the differences in the practice of SR in different contexts. There have been comparisons undertaken at the national level (for instance Higgins et al. 2015 focused on Australia) or cross-national in nature (Chen and Bouvain 2009, focused on UK, USA and Australia; Ioannou and Serafeim 2016, investigated in China, Denmark, Malaysia, and South Africa). Findings relate to the way people conduct business in the divergent cultures including differences in sustainability disclosure (Hąbek and Wolniak 2016; Kolk 2003; KPMG 2005; Kolk 2008), determinants of sustainability disclosure (Aguilera et al. 2006), and motivations for SR (Kolk 2004; Wensen et al. 2011).

One perspective that has been largely overlooked in the extant literature until recently is that of business in African countries. Examination of the literature shows that there is little empirical evidence and little published literature that can be used to inform future research in this context. Fifka (2013, p. 27) identified that there were "still many rather blank spots on the world map with regard to empirical research on responsibility reporting" including in Africa. Ali (2017) observed that studies in emerging economies did not include many studies in Africa. Research in the region has mostly been in a few specific countries such as South Africa. Considered to be one of the most innovative countries when it comes to corporate reporting, South Africa has been identified as having played a prominent role in the movements towards sustainability and integrated reporting (Clayton et al. 2015). A recent study by Ioannou and Serafeim (2016) examined the consequences of mandatory corporate sustainability reporting from four countries including South Africa. Calitz et al. (2016) investigated the extent to which higher education institutions in South Africa conduct comprehensive sustainability reporting.

Other African countries where such research has been conducted, although to a lesser extent, are Botswana (Kiyanga et al. 2016; Rankokwane 2008; Mbekomize and Wally-Dima 2013), Ivory Coast (Schrage and Ewing 2005), Kenya (Dolan and Opondo 2005), Nigeria (Amaeshi et al. 2006; Owolabi et al. 2016) and Tanzania (Egels 2005).

Kiyanga et al. (2016) have compared the differences in reporting practices in Stock Exchange listed companies in South Africa and Botswana. Research in Nigeria has focused on the extent of SR in the industrial goods sector (Owolabi et al. 2016). This study found considerable discrepancies and recommended the regulation of SR to enforce compliance and bring about more transparency and accountability (Owolabi et al. 2016).

Recent studies in Kenya include those conducted by Wahome (2016) and Riro et al. (2016). The work of Lauwo et al. (2016) in Tanzania examines the reporting practices of the two largest transnational gold-mining companies and draws attention to the role played by local government regulations and another research by Fulgence (2016) explores and critically reviews the embryonic nature of reporting in the country. In other research Kolk and Lenfant (2010) compared the state of reporting in three countries namely Democratic Republic of Congo, Republic of Congo and Angola where they found that opportunities are widely seen and that most MNCs report on their economic and social issues.

Of the three countries which are the focus of this chapter, Mauritius is the only one with published studies of any note. These have focused mostly in the banking sector, the Stock Exchange and the hospitality industry (Mahadeo and Soobaroyen 2016; Ramdhony and Oogarah-Hanuman 2012; Ushad and Ramen 2016). Although the trend in research now shows more interest in SR in other countries in Africa, in countries like Madagascar and Seychelles the literature on SR is practically nonexistent. This study aims at reducing part of the gap that exists in the body of knowledge in SR studies in the context of Africa by focusing on Mauritius where a little is known and on Madagascar and Seychelles where there is scant evidence.

2.3 *From the MDGs to the SDGS*

The MDGs proposed and adopted at the UN (2000) by 189 member states and international organisations, including the World Bank and World Health and Food and Agriculture Organizations consisted of eight essential goals. These goals aimed to improve conditions in the developing world and focused on human capital (measured in terms of nutrition, health, and education), infrastructure (access to water, energy, and IT), and human rights (empowering women, increasing voice and access). The Millennium Development Goals (MDGs) played a crucial role in shaping development and reducing poverty in different parts of the globe. As such, the MDGs reshaped decision making in both developing and developed countries by placing the people and their immediate needs at the forefront. The year 2015 was targeted for achieving the MDGs. Consequently, the UN issued a report during 2015 detailing the successes and failures of the MDGs. The results showed some remarkable improvements such as the halving of poverty and increasing access to improved drinking water in Africa, Asia and Latin America. Some striking results reported by the UN (2015) were:

(1) Poverty fell by 84% in SE Asia and by 66% in Latin America and the Caribbean.
(2) Hunger dropped from 31 to 10% in SE Asia and from 14% to less than 5% in Latin America.
(3) Sub-Saharan Africa poverty declined from 57 to 41% and hunger from 33 to 23%; a decline in under-5 mortality from 179/1000 to 86/1000; an increase in access to improved drinking water from 48 to 68%; 50% reduction in HIV/AIDS numbers of new infections.

Despite all these remarkable achievements, the MDGs have been widely criticised as a number of targets have remained unfulfilled. For instance, the Sub-Saharan African region did not reach many of the goals due to a more difficult and challenging context. The Food target in Africa has been argued to be weak and its subsequent development strategies have been questioned (Battersby 2017). Hence, during the last decade the critical literature on MDGs has increased with criticisms related to factors such as data sources, choice of variables, analytical scales and government policies related to development and funding (Liverman 2018). Research in the context of high-income and low-income countries has also shown that high-income countries have benefitted more from the initiatives than low-income countries where the implementation and meeting the goals have been a huge struggle (Rosenbaum 2015). Ultimately, various authors (see McCloskey 2015 for example) have argued that the goals have not adequately addressed the major issues related to human rights, economic development, environmental sustainability and gender equality.

In 2015, as the MDGS expired, the UN launched the 2030 agenda, consisting of 17 ‘SDGs’ with 169 targets, which were considered to be much broader and more ambitious than the MDGs and expected to be reached by 2030. To address the issues related to the MDGs, the UN designed a more inclusive process with consultations between various nations, including surveys and open working groups from around

70 different countries (Death and Gabay 2015). The 2030 Agenda requires more active participation is about what the participating countries together should do for the global well-being of the current generation and future ones.

The 17 SDGs have been designed to

1. end poverty in all its forms everywhere;
2. end hunger, achieve food security and improved nutrition, and promote sustainable agriculture;
3. ensure healthy lives and promote well-being for all at all ages;
4. ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
5. achieve gender equality and empower all women and girls;
6. ensure availability and sustainable management of water and sanitation for all;
7. ensure access to affordable, reliable, sustainable, and modern energy for all;
8. promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all;
9. build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation;
10. reduce inequality within and among countries;
11. make cities and human settlements inclusive, safe, resilient, and sustainable;
12. ensure sustainable consumption and production patterns;
13. take urgent action to combat climate change and its impacts (taking note of agreements made by the UNFCCC forum);
14. conserve and sustainably use the oceans, seas, and marine resources for sustainable development;
15. protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss;
16. promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels; and
17. strengthen the means of implementation and revitalize the global partnership for sustainable development (Liverman 2018, p. 177).

The adoption of the 2030 Agenda was a landmark achievement providing for a shared global vision towards sustainable development for all. This study aims to investigate the extent to which the organisations under study integrate the SDGs into their SR.

3 Methodology

This study uses a mixed methods approach which, according to various authors, has increasingly been used by a growing number of researchers (Creswell 2003; Dunning et al. 2008; Creswell et al. 2011). According to Leech and Onwuegbuzie (2008) mixed

methods research (MMR) involves collecting, analysing, and interpreting quantitative and qualitative data in a single study or in a series of studies that investigate the same underlying phenomenon. MMR has been recognised as a mixing of approaches or methods by combining "qualitative and quantitative viewpoints, data collection, analysis, inference techniques" (Johnson et al. 2007, p. 123; Tashakkori and Creswell 2007; Teddlie and Tashakkori 2003). Creswell et al. (2011) have observed that the key is to use quantitative and qualitative approaches in combination to provide a better understanding of research problems. Brannen (2005) extended understanding of this view by identifying four functions for MMR:

(1) elaboration or expansion—the use of one type of data to add to the understanding gained by another;
(2) initiation—where the use of a first method leads to questions or hypotheses that can be pursued using another;
(3) complementarity—the data from the two methods generate complementary insights to generate a bigger picture by juxtaposition;
(4) contradictions—identify contradictions via juxtaposition for further research.

Important to the adoption of MMR is its suitability for the research questions and a well-planned and strategic approach to the mixing process (Creswell et al. 2011). It is suitable for investigating SR in context, as the researcher is able to capitalise on the strengths of both qualitative and quantitative research to provide an integrated comprehensive understanding (Scammon et al. 2013; Wisdom et al. 2012; Andrew and Halcomb 2009). The use of MMR in the context of SR has been widely accepted and supported by various authors including Steger et al. (2007).

This study sought to find out about development of sustainability reports in organisations in each of the three countries—Mauritius, Madagascar and Seychelles. The overarching research questions were threefold:

How complex are the corporate processes for developing a Sustainability Report?
What are the challenges faced by organisations in developing a Sustainability Report? and
What are the helpful interactions between SR and OCM?

To this end, the study collected data from three types of sources and consisted of

(a) A content analysis of sustainability reports in the annual reports of selected companies from the three countries under study
(b) A quantitative survey of individuals involved in the preparation of Sustainability reports
(c) Semi structured interviews of individuals involved in the preparation of Sustainability reports

The data was collected[1] and analysed separately for each of these three phases of data collection with each informing the next only in the nature of the data sought.

[1]Data was collected by the first author in each of the three locations.

This sequential approach was followed by a synthesis of the findings from each of the three phases. Analysis was undertaken first separately for each geographic location and then across the three locations to identify cross-location commonalities.

3.1 Participants

The participants in the study were selected based purposeful sampling using the researchers' judgment (Silverman 2013). The views and opinions of individuals who had experience in SR were collected and analysed. This purposeful sampling process guaranteed a diverse cross selection of individuals from different levels of the selected organisations from front line to top management. Table 1 shows the study sample for each of the three countries.

The next section describes the three data collection and analysis processes in more detail along with a discussion of the initial findings from that data collection process.

3.2 Content Analysis

Content analysis is one of the most popular and commonly utilised methods in environmental reporting (Guthrie and Abeysekera 2006; Krippendorff 1980). According to Holsti (1969, p. 14) it is a "technique for making inferences by objectively and systematically identifying specified characteristics of messages". It helps researchers to construct inferences by objectively and systematically identifying specific characteristics of certain types of messages (Holsti 1969). Accordingly, Neuendorf (2002, p. 10) describes content analysis as a summarising process, but also a quantitative analysis of messages that relies on social scientific methods. He also suggests that the process is not limited to the measurable variables or to the context in which the messages are created or presented. The use of content analysis as a methodology in the field of SR has received substantial of support (Gray et al. 1995) and includes research by Guthrie and Parker (1989, 1990), Niskanen and Nieminen (2001), Maignan and Ralston (2002), Janek et al. (2016) and Islam et al. (2016).

Table 1 Study sample by location

		Mauritius	Madagascar	Seychelles
Annual reports content analysis	Number of organisations	10	10	10
Survey	Number of individuals responding to survey	110	32	40
Interview	Number of individuals interviewed	12	10	10

Content analysis of the Sustainability Reports of 10 large companies in the three countries was undertaken for reports published in the period 2015/2016. Conceptual analysis, which involves choosing certain concepts for examination and analysis was undertaken to quantify and tally the presence of the terms in the selected texts. The primary terms searched for were environment, social, corporate governance and derivations of these terms (e.g. Environmental).

Initially, the most recent annual reports of the companies under study were selected and examined. Analysing annual reports is useful due to the relatively unbiased nature of the method. Annual reports are the usual location for organisations to publish their sustainability reports. Several authors (for instance Breitbarth et al. 2010) have supported this method as according to them, the data represents the official, unambiguous, unified position of the organisation. Furthermore, Breitbarth et al. (2010) suggest that the data is free from the respondents' personal bias, access to information or partial recall and not subject to errors related to the content and the context of communication. A coding structure was formed to cover the major topics of the content analysis and the GRI framework was used as reference. The GRI framework is frequently used in SR studies due to its extensive measures to evaluate sustainability disclosures. For example previous studies that have applied this framework include Bouten et al. (2011), Kiyanga et al. (2016), Toppinen and Korhonen-Kurki (2013) and Guan (2014). The relevant themes and findings were identified and interpreted based on a coding structure applied through the process of scrutinising annual reports. The coding structure was based on the GRI framework and the areas were categorised as follows:

(1) Economic
(2) Environment
(3) Human rights
(4) Labour practices and decent work
(5) Product responsibility
(6) Society
(7) CSR.

The sample consisted of annual reports of organisations from various sectors such as commercial banks (private including privatised state-owned), insurance compa-

Table 2 Study sample by industry

Sector	Number of companies (n)	% of sample
Hospitality	2	20
Banking	2	20
Services	1	10
Insurance/finance	2	20
Textile	1	10
Conglomerate groups	2	20

Table 3 Disclosing and non-disclosing companies by area of disclosure across three countries

Area of disclosure	Mauritius—number of companies			Madagascar—number of companies			Seychelles—number of companies			Total—number of companies		
	Disclosing	Non-disclosing	Total	Disclosing	Non-disclosing	Total	Disclosing	Non-disclosing	Total	Disclosing	Non-disclosing	Total
Economic	9	1	10	9	1	10	6	4	10	24	6	30
Environment	10	0	10	8	2	10	6	4	10	24	6	30
Human rights	4	6	10	5	5	10	4	6	10	13	17	30
Labor practices/decent work	8	2	10	7	3	10	4	6	10	19	11	30
Product responsibility	8	2	10	9	1	10	5	5	10	24	6	30
Society	10	0	10	9	1	10	7	3	10	26	4	30
CSR	10	0	10	9	1	10	8	2	10	26	4	30

nies, hotels and conglomerate groups that were present in various sectors in each country. Due to the small economies under scrutiny only aggregates are shown in Table 2 Study sample by industry.

As illustrated in Table 2, the selected companies were from various industries comprising of two banks, two insurance/finance companies, two hotels, one textile company and two conglomerate groups. Such a sample composition is theoretically interesting as it allows for comparison and development of understanding of the differences in the reporting practices of these companies.

Table 3 shows the frequency of disclosing and non-disclosing companies by area of disclosure across the three countries. The results indicate some similarities between Mauritius and Madagascar, whereas companies in Seychelles show a different trend as the rate of non-disclosure is higher. An important feature observed is the high rate of non-disclosure in the area of human rights across the three countries. Moreover, the results indicate that most of the companies selected report mainly on economic, environmental, product responsibility, CSR and society factors.

3.3 Online Survey

Participants (see Table 1) were invited by individual email to participate in an online survey. Questions sought participant agreement or otherwise on a range of statements using a Likert scale. The questionnaire also included open ended questions seeking opinions of the participants about the practices related to SR in the private sector organisations in the three countries. The sectors from which these participants were chosen are shown in Table 2.

The findings of the survey have been reported in the next section outlining the various results and ultimately contributing to the outcomes of this study.

3.4 Semi Structured Interviews

Semi-structured interviews were conducted with individuals who are actively involved in the SR process in organisations in each of the three countries. This approach allowed for an in-depth and informed analysis to be undertaken of sustainability reporting practices at the practical level. The interviewees were assured that confidentiality and ethical considerations were of utmost importance and anonymity would be maintained for each individual who participated in the study, as well as for their company.[2]

[2]Data was collected by the first author in Mauritius where there is no requirement for approval by a human research ethics committee. Nevertheless adherence to ethical standards including confidentiality were considered to be central to this research. The second author has not had access to any of the initial data, and conducted analysis on the aggregated data for the development of this chapter.

The semi-structured interviews sought to gain more insight on various topics. The interview questions were used to clarify the following aspects of SR in the organisations under study:

- The variables used for Sustainability Reporting (SR) process by organisations
- The stakeholders involved in the SR process
- The impact of the Triple Bottom Line (TBL) approach
- The drivers, benefits and obstacles of SR
- The relationship between SR and Organisational Change Management.

Responses to these questions have been compared with the content analysis and the survey to analyse the results and are presented in the next section.

4 The Variables Used for the Sustainability Reporting Process

Today, with almost 20 years of reporting, businesses around the world show a varying trend towards concern about environmental and social conditions. If for some companies SR is a means to show their commitment to transparency and their progress towards sustainable goals, for others it is nothing more than managing impressions and green washing. There are multiple variables that companies use for reporting. Similarly, avenues for reporting sustainability performance extends from annual reports to websites and stand-alone sustainability reports. One of the main reasons why different companies use different variables or means to report might be attributed to the voluntary nature of SR in many countries around the world. SR is more or less voluntary in the three countries under study. Hence, very similar trends have been observed in this study where the emphasis on the variables used differ. For instance, some companies put more emphasis on the economic or social aspect, while others might put more emphasis on the environmental aspect of reporting. Table 4 is a summary of the variables that have been used by the organisations under study in this research. It can be observed that not every company that produces a sustainability report necessarily follows the GRI Guidelines or acknowledges the latter as the framework for preparing the report.

When comparison is undertaken, the content analysis for the sustainability reports in Mauritius shows that organisations report on all the seven areas of the framework. Most of the reports, however, focus mainly on environmental aspects, CSR and the society where these issues attained a score of 100% in the annual reports. There was a lack of attention to the human rights dimension of reporting. A significant number of reports (60%) did not mention this important category which includes practices such as freedom of association and collective bargaining, security practices and non-discrimination.

The results in Madagascar show a differing pattern where there is no 100% score in any areas of disclosure. Non-disclosure in areas such as labour practices and decent

Table 4 The variables used for sustainability reporting in Mauritius, Seychelles and Madagascar

Corporate governance	Responsibility of the board; sustainable development strategy; ethics and transparency; shareholders' rights; corporate transaction, shareholders, and board of directors; independent direction on the board; audit and risk management committee; independent corporate governance committee; risk monitoring committees (rmc); remuneration and corporate governance committee; transparency; maximising shareholders interaction through communication; commitment and engagement; engagement with stakeholders; shareholder communication; board appraisal; board activity during the year; independent professional advice
Society	Community development strategy; protection of vulnerable children; employability program (e.g.: financed scholarships for the youths through tertiary education and vocational training); youth development; alleviation of extreme poverty; absolute poverty and community empowerment; actions to promote safe society/community; preventing domestic violence; promotion of the development and socialisation of vulnerable children through art and theatre; welfare of children (e.g.: student needs association, handicapped association, day care centre and special needs school); promoting education in vulnerable zones; building education for vulnerable children; empowerment and social housing; public policy (development and lobbying); anti-competitive behavior (anti-trust and monopoly)
Economic	Share price performance; dividend policy; enhancing group's revenue; maximising shareholder values; shareholders' agreement; compliance with laws and regulation
Human rights	Staffs training to improve their knowledge about our products and services); ensuring transparency in management practices; ethics and integrity in communication; health at work (to prevent health risk); social (gender balance proportion of women); non-discrimination; indigenous rights; remediation
Environment	Energy consumption (fuel, steam, cooling, heating, electricity, water, waste); water consumption; recycling (recycled oil), waste (solid waste); carbon footprint; emissions, effluents; direct energy produced; direct energy sold and direct energy purchased; biodiversity; compliance; environmental management systems; environment, conservation and national disaster projects; environmental resource management; waste preservation of the environment (e.g.: pursued cleaning, embellishment and waste recycling); green initiatives; encouraging environment-friendly investment; fostering energy-efficient buildings; paving the way for reduced paper utilisation
Labour practices and decent work	Upholding human resource development and staff welfare; designing dedicated programs to build human capital; promoting flexible working arrangement; equal opportunity "employment of disabled persons"; employees welfare team; career development; labor practice and decent work; employment, labor management relations; occupational health and safety; training and education; diversity and equal opportunity; talent management; health and safety

(continued)

Table 4 (continued)

Product responsibility	Deepening customer relationships; anchoring a customer-centric business development approach; upholding and strengthening overall clients relationships and market visibility; maximising shareholders values: enhancing group's revenue; communication to provide coherent, pertinent information; customer care; dedicated customer department; customer complaints management; marketing communication (advertising, promotion, sponsorship); compliance
Corporate social responsibility	Distribution of gift and food to vulnerable family; provide basic needs to homeless children; social housing; eradication of absolute poverty; vulnerable children; prevention of non-communicable diseases; sport, health, training and education investments; CSR committee; sponsorship of vulnerable communities; global women's forum; socio-economic development; social investment; ecological and social footprint of invested portfolio; community investment practices; NGO support and capital building; art and culture; sponsorship of sports events/associations; health: prevention against aids; substance abuse; consolidation of multi-sectorial platform on substance abuse; leisure and sports; promoting the eco-friendly awareness of the general public; sensitivity of staff and business units; protection, health and social integration of vulnerable groups: (psychological support to cancer patient, supporting the running cost of the hemophilia patient and parents support group center)

work (30%), human rights (50%) and the environment (20%) were more prevalent. Like, Mauritius, however, the human rights area was under-reported.

Organisations in Seychelles appear to have a different reporting culture. Organisations disclose less on the seven areas related to the GRI framework. The number of non-disclosing companies were more numerous in all aspects, with labour practices and decent work, and human rights both showing a score of 60% of non-disclosure. The product responsibility (50%), environment (40%) and the economic (40%) dimensions are also largely unreported.

The list of variables in Table 4 is evidence that organisations are reporting on the various aspects included in the GRI framework, however, there is need for greater consistency. Although the field of sustainability reporting continues to mature in the region, it is in need of further integration into business strategies. As such very few companies are motivated by strategic competitiveness and differentiation, although the tendency seems to be more realistic in Mauritian economy.

4.1 The Variables Used for Sustainable Organisational Change Management (SOCM)

According to Doppelt (2009), implementing sustainable business practices is about human factors rather than technical, financial, or political. It requires willingness and effective change management skills to turn organisations into social and environ-

mental citizens. For instance, although SR was previously used to meet stakeholder demands, the careful monitoring of the economic, social and environmental issues have proved to drive changes in management practices (Borkowski et al. 2010) and the commitment to good stewardship of employees (Douglas 2007). Implementation of strategies related to sustainability, like organisational change, requires a change of thinking and attitude that is directly related to leadership (Millar et al. 2012). Table 4 identifies a list of most of the variables organisations use for reporting in the three countries. The interviewees identified some specific variables used by the organisations to facilitate SOCM. These included strategies focusing on the internal and external environment of the organisation. Table 5 gives further details of the variables identified by interviewees.

As Table 5 illustrates, most of the strategies employed the involvement of the companies in the community. CSR activities, social and environment matters with the aim of contributing to the well-being of the stakeholders of the businesses. More than 60% of the responses related to these strategies. This important aspect of the current business environment can be related to Stakeholder Theory (Freeman 1994) which stated that organisations do and should create value for its different stakeholders including customers, employees and communities.

The efforts around developing and integrating sustainability practices in an organisation are relative to and demonstrated by effective management systems. As such, successful organisations are involved in continuous learning and structural improvements considered as an indicator for competitive advantage in an ever changing business environment. If an organisation's rate of learning isn't greater than its rate of change, then it is going to fall behind the competition. SR is now considered to have a direct relationship with corporate reputation where issuing sustainability reports help improve the goodwill of firms (EY 2014).

A positive impact of SR on organisational processes would therefore indicate an integration of a sustainability culture in the various processes of the organisation. The efforts of organisations to bring about sustainable changes are illustrated in Table 6 which shows the impact that SR has on the various mechanisms on the organisations. The literature in the field includes an approach which has been described as

Table 5 Variables used for SOCM

Variables	Organisational structure Organisational culture Innovation Quality of service Shift in focus towards stakeholder satisfaction Quality of product Corporate strategies towards sustainability Decision making process leaning towards sustainable vision Employee welfare Social responsibility Employee training CSR activities

Table 6 SR has an impact on organisational factors

Mauritius	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Vision, mission and strategies	0	0	0	66.67	33.33
Supply chain, e.g. procurement and distribution	0	0	16.67	50	33.33
Stakeholder collaboration	0	0	16.67	50	33.33
Culture	0	0	0	50	50
Operation and production	0	0	16.67	33.33	50
Organisational processes e.g. leadership and management styles	0	0	0	33.33	66.67
Madagascar	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Vision, mission and strategies	0	0	0	72.72	27.27
Supply chain, e.g. procurement and distribution	0	0	27.27	72.72	0
Stakeholder collaboration	0	0	27.27	36.36	36.36
Culture	0	0	27.27	45.45	27.27
Operation and production	0	0	18.18	72.72	9.1
Organisational processes e.g. leadership and management styles	0	0	18.18	72.72	9.1
Seychelles	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Vision, mission and strategies	0	0	0	50	50
Supply chain, e.g. procurement and distribution	0	0	0	50	50
Stakeholder collaboration	0	0	33.33	33.33	33.33
Culture	0	0	0	72.72	27.27
Operation and production	0	0	0	72.72	27.27
Organisational processes e.g. leadership and management styles	0	33.33	0	66.67	0

sustainable strategy implementation. Sustainable strategy implementation has been defined as using seven perspectives: leadership, strategy, employees, corporate values, resources, tools and processes (Radomska 2015).

Therefore organisations keep on adjusting the various mechanisms to adapt to the environment and bring about sustainable development. These incremental adjustments happen through changes in the organisational factors such as in vision, mission, objectives and other variables mentioned in the table above. The interviewees mentioned that the organisational changes were always of incremental nature and revolutionary or transformational changes would be difficult to be implement. Organisations would undergo incremental changes to processes and structures that were previously in place and supported sustainability reporting.

4.2 The Stakeholders Involved in the SR Process

Nowadays, companies owe a responsibility to a wider group of stakeholders (Freeman 1984) other than just shareholders whether they be economic, legal, ethical or even philanthropic. As such, many corporations claim to have CSR at the centre of their corporate strategy, but the extent to which these are genuine with a "conscience" has been questioned with critics suggesting that companies exploit CSR as a means of to improve their image and reputation, with customers making attributions about companies ultimately failing to put their words into action (Alhouti et al. 2016).

The extent to which organisations inform and involve stakeholders in their SR process also determines the way the information is communicated. According to Grunig and Hunt (1984) one strategic task of stakeholder information strategies is to ensure that corporate decisions and actions related to sustainability are communicated effectively to the company's stakeholders.

The main purpose of this part of the research was to understand whether stakeholders are significantly consulted and involved in the SR processes. The respondents provided a broad list of the various stakeholders involved across the three countries. Table 7 shows a summary of these stakeholders.

One important aspect of the reporting was that most of the times the process was carried out via joint effort of various sections. For instance, the accounting department was always consulted due to the requirements of Governments for the tax payments for CSR by organisations. Therefore, individuals or departments involved were facilitating, or coordinating, the cross-functional teams to produce a sustainability report. The role of sustainability committees was also considered as being important as those involved would sign off the final reports.

The stage at which the organisations in each country were in developing their reporting process was also related to importance of the process. According to the participants Mauritius has reached a very advanced stage in the acceptance of SR and its importance in the business world. Whereas Seychelles and Madagascar seem to be still lagging behind and organisations appear to be in the "testing" stage. For instance there is no "formal" process of reporting although the government officials oversee

Table 7 Stakeholders involved in the SR process in Mauritius, Madagascar and Seychelles

Stakeholders
Human resources
Research and development
Public relations
Marketing
Production
Finance department
Accounting department
CSR department
Government officials
Engineering
Green team
Statistics departments
CSR consultants
Change agents
NGOs

Table 8 Impact on environmental, social and economic aspects

	Mauritius (%)	Madagascar (%)	Seychelles (%)
Economic	71.42	81	63
Environmental	71.42	63	81
Social	84	72	100

the process. Moreover, the government in these countries did not seem to have any requirements for SR and were just “trying to keep track of the CSR contributions” where the accountability for spending these funds were not in place. Locally owned and small companies would also not get involved in SR, unlike in Mauritius where SR has become a more common practice.

5 The Impact of the Triple Bottom Line (TBL) Approach

The TBL approach requires the reporting by companies against three main components: economic and Financial, environmental and social aspects (Brueckner 2010). The impact of TBL shows a varying pattern across the three countries. However, it has to be noted that interviewees had some difficulties in trying to differentiate between CSR, TBL and GRI reporting frameworks. The results of how far individuals agreed about the impact on the economic, environmental and social aspects of SR is shown in the following table (Table 8; Fig. 1).

Participants in Mauritius showed a clearer understanding of the terms whereas, in the other countries the respondents believed it meant the same. Although, the

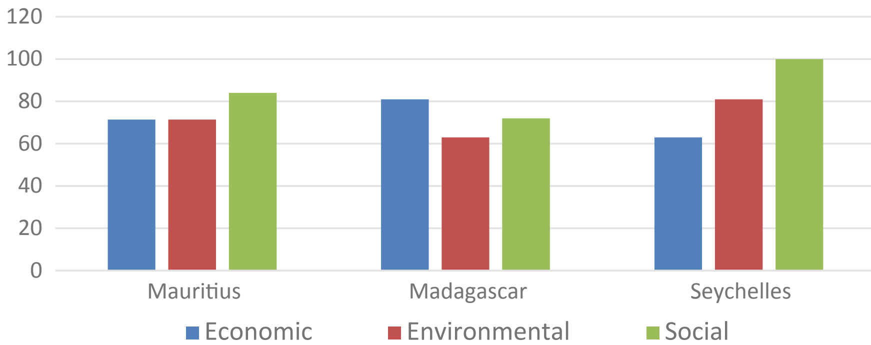

Fig. 1 Economic, environmental and social impact

application of the TBL by businesses is motivated by the principles of economic, environmental and social sustainability, there might be a difference with regard to the way they measure the three categories of outcomes.

6 The Drivers, Benefits and Obstacles of SR

(a) **Drivers**

The literature in the field has shown that factors such as firm size, media visibility and ownership structure are the most important drivers of the disclosure of sustainability reports (Dienes et al. 2016). As it would require further investigation, the drivers for SR in this study have been classified as being internal or external. Figure 2 summarises the results across the three countries.

The charts (Fig. 2) show varying patterns between the three countries. Thus Mauritian companies considered that both internal and external factors motivated the preparation of reports. Whereas in Madagascar, internal factors provided the impetus for SR. However, the pattern in Seychelles is quite similar to Madagascar where internal motivational showed more prominence. Factors such as corporate governance requirements, profitability, capital structure, firm age or board composition might also act as an indicator for SR.

Furthermore, Fig. 3 gives more detailed information about the drivers that motivated the organisations under study to publish the reports. Respondents had to select the factors from a set of 6 choices and the extent to which they are rated as highly significant to respondents' reporting decision.

Figure 3 shows a variance across the results and the drivers differ from country to country. As such, in Mauritius and Seychelles more importance is placed on the corporate image of the businesses. Whereas in Madagascar, confidence and trust of stakeholders together with financial performance are of greater importance.

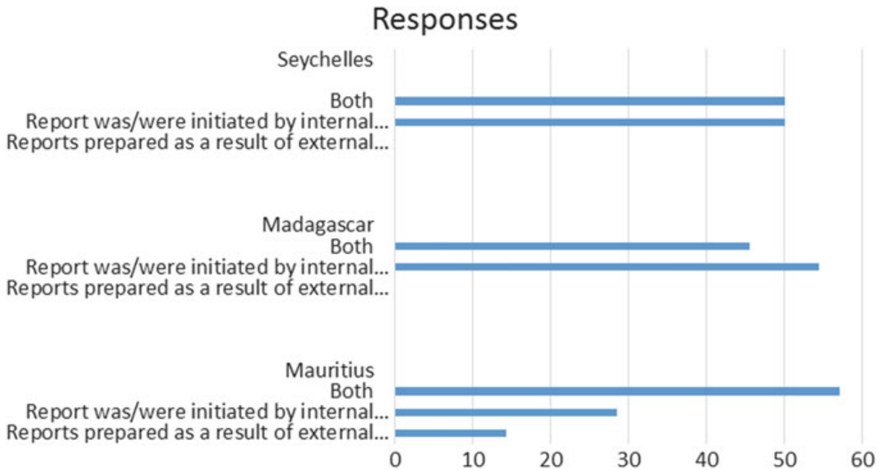

Fig. 2 Drivers, benefits and obstacles for SR

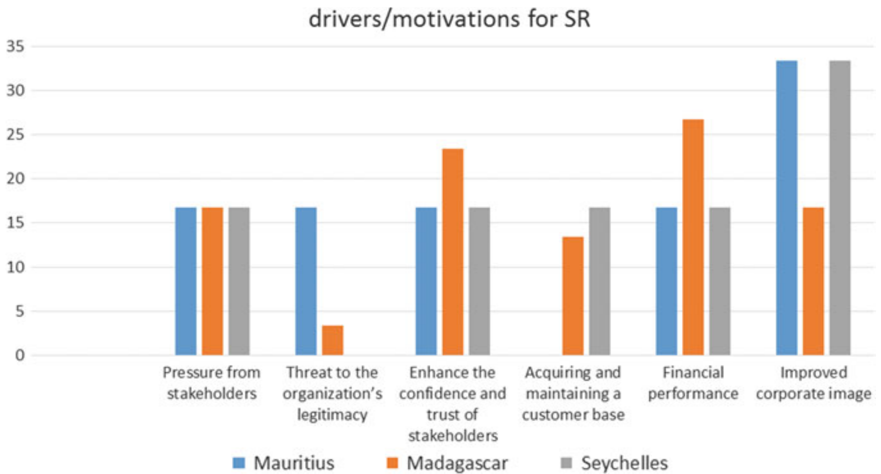

Fig. 3 Drivers/motivations for SR

(b) **Benefits**

This part of the analysis is based mostly on the semi-structured interviews. The participants mentioned a broad list of benefits summarised in Table 9. There was a belief that getting involved in SR was gaining importance and stakeholders were becoming more conscious about the issues. Preparing sustainability was deemed to contribute to the goodwill of the organisations and give a sustained competitive edge in the business environment. This is in line with the objectives and benefits outlined by the GRI (2017) which consists mainly of; building trust, improved processes and systems, progressing vision and strategy, reducing compliance costs and competi-

Table 9 Participant identified benefits and barriers to SR

Benefits from SR	Barriers to SR
Enhance corporate image	Time consuming
Boost up the confidence of the stakeholders	Lack of knowledge
Raise the awareness of employees	Not related to profit
Attracting and retaining best employees	Lack of government support
Improved transparency	Not mandatory
Improve risk management systems	Costly
Benchmark performance	Lack of understanding
Improve legal requirement	Lack of commitment
Cost saving strategy	Lack of support from government
Competitive strategy	The benefit are not clear
Sustain competition	
Supply chain pressures	
Pressure from parent company	
Manage environmental impacts	
Manage social impact	
Community development	
Motivate innovation	
Attract investors	
Manage internal pressure	

tive advantage (GRI 2017). Other indirect advantages includes a stronger bargaining position when it comes to attracting investment, initiating new activities, entering new markets, and negotiating contracts. Hence, reporting sustainability related activities signals responsible behavior and increases stakeholder interest. This enhanced perception by stakeholders improves the goodwill of the organisation in the business environment (James 2015). Other benefits mentioned by the interviewees included savings on things like energy costs, water use, and decreased employee sick leave through improvements in workplace safety.

(c) **Barriers to SR**

While a number of compelling reasons lead companies to establish comprehensive sustainable practices, others in the business faced issues that constrained their effort. The survey respondents identified the obstacles that the companies face. The main barriers of SR according to the interviewees were cost related to its preparation, the time consumed and the lack of knowledge of the leaders or managers on the issue. The results are summarised in Table 9. These features are consistent with the extant literature on SR and could be a product of issues such as expertise in developing a sustainability report (Adams and McNicholas 2007; Larrinaga-Gonzalez and Bebbington 2001), a lack of resources for preparing the report (Adams and McNicholas 2007) and the perceived absence of a business case for SR (Ramos et al. 2013).

The role of SR in fostering change towards sustainability according to the participants can be depicted through the chart that follows. Previous research (for instance, Adams and McNicholas 2007) has already established relationship between SR and change. These authors also recognised that organisational change towards improved

accountability can lead to changes in sustainability performance (Adams and McNicholas 2007).

As Fig. 4 shows the majority of the respondents agreed or strongly agreed that SR plays an important role as a catalyst for change. These results suggest that SR can be considered as a key enabler for OCM. For instance, interviewees suggested that by addressing the social element of change, organisations ensure that people are ready, willing and able to adopt new behaviours. In such cases OCM addresses stakeholder needs and secures employees support and minimises resistance to change.

The previous findings have mostly given evidence of the role of SR as being a facilitator or catalyst for change. However, the responses also indicated that organisational factors such as culture, leadership, the decision making process and innovation could have an impact on SR. Figure 5 shows the results from the survey.

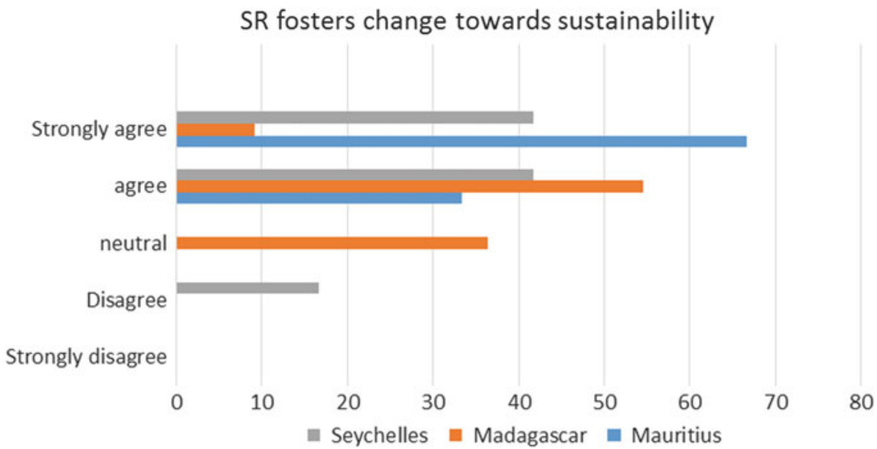

Fig. 4 SR fosters change towards sustainability

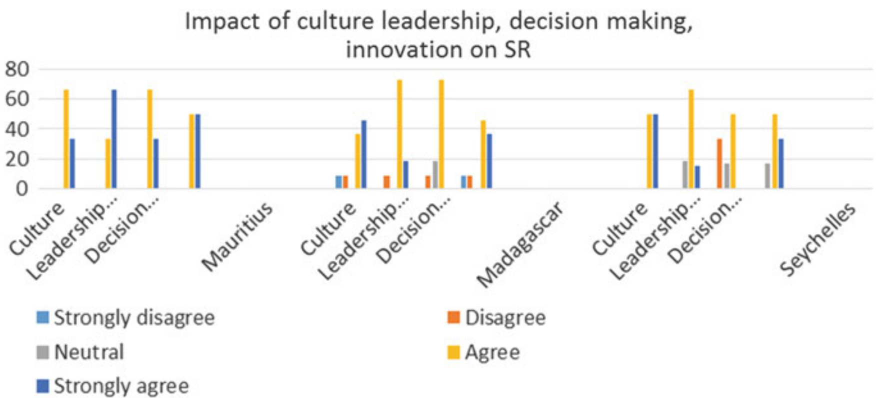

Fig. 5 The impact of culture, leadership, decision making and innovation on SR

The results show a consistency across the three countries for most of the factors considered. For instance, organisation culture could determine whether the organisation would support sustainable organisational changes. Furthermore, most of the discussions during the interviews highlighted that success of any change process should be accompanied by a state of ownership of the programme. These can only be achieved through the right culture that promotes for learning and innovation, but also with a leadership that creates a shared understanding for OCM.

Leadership that demonstrates a commitment to communicate consistently and openly, empowers others to take action and models new behaviours are helpful and can help to promote SR and act as catalysts for sustainable organisational changes.

7 Sustainability Reporting and SDGs

The SDGs can be used to assess and identify the current sustainability efforts of governments and businesses around the world and their impact on society and environment. This section provides an insight about how far organisations in the SIEs integrate SDGs in their reports. Figure 6 gives an indication of how much the respondents were aware of the existence of UN sustainable goals.

The data shows a consistent outcome with participants having very limited knowledge about the phenomenon.

The next question related to the extent to which the strategic vision and mission of the organisations under study included consideration about sustainable developmentc goals. The results in Fig. 7 indicates a somehow similar pattern across the three countries. Hence, most of the companies included strategies that were consistent with the SDGs and planned to engage with the goals.

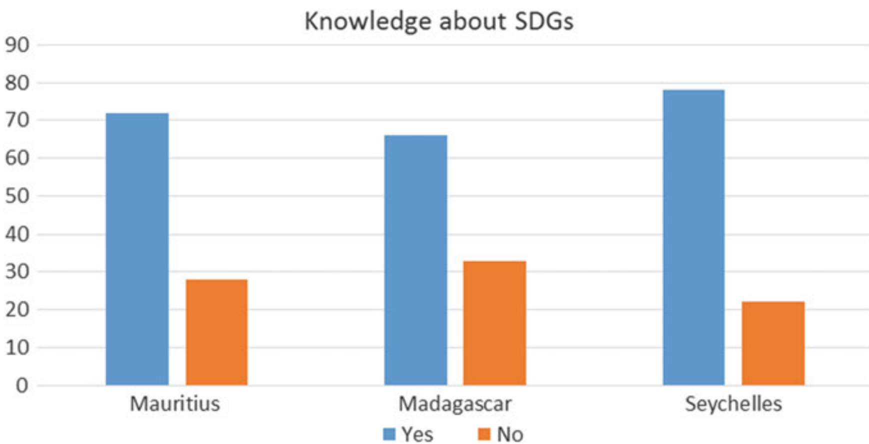

Fig. 6 The knowledge of participants about the SDGs

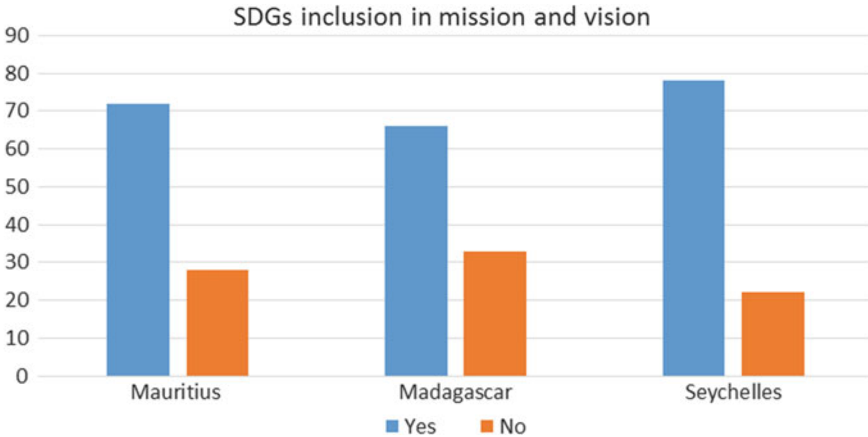

Fig. 7 SDGs inclusion in mission and vision of organisations

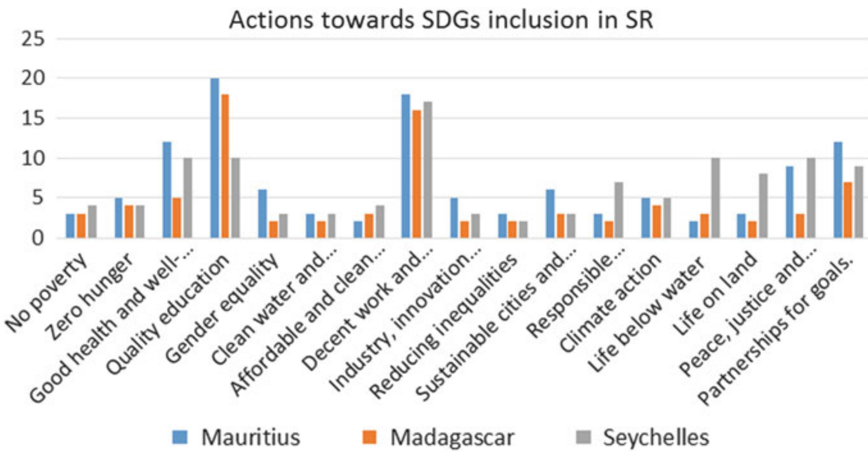

Fig. 8 Actions towards SDGs inclusion in SR

Participants also gave their views about how and which actions of their organisations could have an impact towards sustainability implementation in practice. As such the purpose was to understand which of the themes (goals) were most relevant to the businesses. The results are presented in Fig. 8.

The results in Fig. 8 to make show that in certain aspects of reporting there is a varying pattern across the three countries. Organisations in Mauritius place more emphasis on good health and well-being for people (12%), decent work and economic growth (18%), quality education (20%) and partnership for goals (12%). Evaluation of Madagascar companies' data indicates that there is more focus on quality education (18%) and decent work and economic growth (16%). Moreover, the score for most of the goals is quite low with at least 12 goals staying below

5%. One of the main reasons for such a trend would be the frequent political crises and instability in the country. Figure 8 also highlights the fact that organisations in Seychelles give more consideration to good health and well-being for people (10%), decent work and economic growth (17%), gender equality (10%), peace, justice and strong institutions' (10%) and life below water (10%). The results of this study are consistent with the existing literature where there is evidence that organisations in African countries have been partially involved in the implementation or adoption of the UN SDGs, or failed to achieve these (Easterly 2009). The results thus provide evidence that organisations in the countries under study have not been adopting the defined SDGs in their entirety.

8 Conclusion

This study has explored a number of issues surrounding sustainability reporting in organisations in the island economies of Mauritius, Madagascar and Seychelles. It has attempted to extend existing work that has been conducted on sustainability reporting within countries in Africa, particularly focusing on the mechanisms used including the variables, benefits, and stakeholders. At first glance, the data shows a reasonable increase in the reporting practice of firms in the region. This increase, however, is more prominent in Mauritius than Madagascar or Seychelles.

If we consider the variables used for reporting we could relate to the extant theories through legitimacy, stakeholder, accountability and resource dependence views. Most of these variables are consistent with findings from previous research related to improvements in economic values (Lantos 2001); enhancements in corporate image (Frehs 2003), cost reduction, efficiency improvements, and waste reduction (DeSimone and Popoff 2000). Moreover, the incremental aspect of bringing about changes in organisations has been related to the Laughlin (1991) first order change in previous studies such as Stubbs and Higgins (2014).

Some of the reasons for the difference in the levels of disclosure in the three countries may be due to differences in institutional structures, but also factors such as cost, and awareness on the topic. The results are somehow consistent to the findings from several earlier research where factors cost and the time consuming nature of the process have been described as the main barriers for SR (see Higgins et al. 2014).

However, although we found some statistically significant relationships between the three countries, some of the information was not sufficiently fine-grained to reveal the different theoretical nuances across our reporting companies. This could be attributed to the fact that some companies are still at the testing stages in countries like Seychelles and Madagascar. Future studies could seek to identify other dimensions on which companies may differ in the region, as the existing literature may be insufficient to explain the recent spread of sustainability reporting. Although this study did not investigate on the causes of variances and similarities, it lays down a basis for future research in the field. The data in this study illustrates that sustainability reporting is on the increase in Mauritius, Madagascar and Seychelles. Finally, the relationship between SR and SDGs looks unclear as although organisations show awareness

of the latter their actions do not show much integration of the goals. Therefore, more research of this nature is needed to further contribute to our understanding of what drives organisational change towards improved sustainability performance and inclusion of SDGs in the strategic actions of organisations.

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Corporatism, Sustainable Development and Africa: The Search for a Love Nest

Sam Sarpong

1 Introduction

African countries have been quite active over the years in debates concerning the strengthening of the concept of the right to development as an international obligation. In line with this, they have been part of various treaties and declarations supporting this line of action. A recent commitment to action is to achieve sustainable development through the mobilisation of domestic resources and through reforms of continental and national institutions supporting governance and development. The New Partnership for Africa's Development (NEPAD) adopted in 2001 by African Heads of State is a pointer to Africa's attempt at having a comprehensive and integrated development plan that makes peace, security, democracy, good economic and corporate governance preconditions for sustainable development on the continent.

The truth, however, is that Africa's challenges have posed serious problems for developmental issues (Cypher and Dietz 2009; Ferguson 2006; Pegg 2003). Whilst countries in Africa, like other developing countries, are conscious of the need to create opportunities for the development of its citizens, it seems, numerous constraints have acted against the achievement of such objectives in their quest for this (Cypher and Dietz 2009; Norgaard 1994). Poverty (Campbell 2001) and other debilitating issues like the lack of clean water, low provision of health care, inadequate energy sources and lack of jobs have undermined sustainable economic growth on the continent (Campbell 2001). From all indications, sustainable development thrives best in an environment of good governance, peace and security, but armed conflicts remain a major obstacle to development in several parts of the continent. Apart from the human and material costs, conflicts have also impeded production, destroyed infrastructure, prevented the reliable delivery of social services and have disorganised many societies in Africa.

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Many parts of the continent are currently in turmoil. Various forms of civil unrest, political agitations, famine and drought, high levels of corruption, joblessness and lack of health facilities, among others, have stalled Africa's development. But, there is now a new awakening, hence, the gradual inception of and commitment to development objectives in Africa's reconstruction efforts. Today the issue of development lies at the very heart of the political, social, economic and the moral considerations of Africa and other developing countries (Cypher and Dietz 2009; Perkins et al. 2001; Colman and Nixson 1994; Barnett 1988). It represents a fundamental dimension of social inequality and of struggles for social justice. It is a field where the perplexity is deeper, the arguments sharper and the potential for new illuminations more profound.

But, if the end result of development, as Barnett (1988) has argued, is prosperity and relative stability, then the people of Africa have not reached the required stage yet. Many areas of Africa seem to be well endowed with resources but the local inhabitants are undernourished and underprivileged; they also lack social amenities to match the resources they have. A situation where this prevails is what the pan-Africanist, Ali Mazrui describes as 'anomalous underdevelopment' (Mazrui 1980). Clearly the lack of progress in bringing prosperity to many areas of Africa is not because efforts have not made, rather it is because of the extreme complexity of what prevails on the continent (Sarpong 2010). Within this conundrum lie the questions that we are exploring: How can we ensure sustainable development in Africa? To what extent can corporate activities lead to sustainability issues in Africa? Can African governments create the basis for progress on the continent? To what extent can the citizenry be embedded in this drive towards sustainability? What is the way forward for Africa?

Our role in this matter is to espouse the issues and their variants and to provide an avenue for further discussions on the issue. It is also to bring to the fore the exciting and challenging issues concerning sustainable development issues in order to elucidate and understand the development difficulties facing the economies of Africa. The issue here will be how to figure out a consistent paradigm, which makes economic sense, and which takes the complexity of social reality of Africa into consideration.

The chapter, thus, examines the concept of sustainable development as it relates to the African context. Whilst seeking to capture its essence, it also addresses the CSR-sustainable development nexus in Africa and how CSR can be leveraged to support public policy goals. It explores the problems from different disciplinary perspectives because of the multiple disciplines that are associated with the concept of sustainable development and also attempts to balance these different perspectives by looking at their internal logics and the motives that underpin them. The key issues here would be the political and conflicting nature of *sustainable development* and the difficult challenges it presents. Explicit attention would also be paid to *corporate sustainability* given the significance of this too.

The chapter firstly engages with the definition of development. It then looks at what sustainable development is. Following from this, it delves into the challenges of sustainable development. It then assesses the challenges facing Africa in that stead and also explores what corporate sustainability entails. It concludes urging

both government and corporate bodies to ensure they put in place measures that can lead to the realisation of people's desires.

2 Defining Development

According to Colman and Nixson (1994) development is a process of improvement measured with respect to some set of criteria or values. The values in question relate to desired conditions in the world but as the authors contend, there is no universal agreement about what these desired conditions should be. One obvious lesson is that whilst development can be regarded as a natural phenomenon, it is also a lengthy process (Thirlwall 1989). Thirlwall justifies this by saying that development occurs when there has been an improvement in basic needs, when economic progress has contributed to a greater sense of self-esteem for a country and individuals within it, and when material advancement has expended the range of choice for individuals. It can be suggested that the methods and techniques used for managing the development process must bring individual and collective human development into a sustainable balance by integrating elements that relate to mindsets, traditions, beliefs, and value systems.

Whatever its causes, this problem of not being readily able to represent development as a simple variable creates problems for studying it (Colman and Nixson 1994). It is complex, holistic and multidimensional. Conceptually, it embraces the transformation of a whole society from one level of well-being to the next. It also takes into account, every human activity and the meaning people find in their whole social existence. As Todaro (2000) posits, development must, therefore, be conceived of as a process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty.

3 Striving for Sustainable Development

3.1 What Is Sustainable Development?

Sustainable development has become one of the most prominent catchphrases in the development discourse. Although the essence of the concept is clear enough, its exact interpretation and definition has caused strong debates in many circles. It is contested, requires debate and compromise and because it challenges both researchers and policy-makers (McNeill 2000). It also encompasses a very important ethical component, which is the right of every person to the proper and fair share of the planet's resources (Moldan and Dahl 2007).

It is pertinent to note that sustainable development has gained a standing for being a difficult concept to embrace. In spite of that, it is seen as critical, especially in Africa, where it can be positioned to reinforce pillars of long-term development. This is because it has the capacity to integrate economic growth, social development and environmental management in the building of sound policies and credible institutions for governance. It is also the basis upon which to correct certain deficiencies in the system and also to create the path for corporate action, whilst at the same time, creating the conditions for institutions to play their onerous role. The 'destination' of sustainability is not a fixed place in the normal sense that we understand destination, instead it is a set of characteristics of a future system (Sutton 2004).

There have been many attempts over the past years to explore the meaning and possible parameters of the notion of sustainable development for different reasons. In the extensive discussion and use of the concept since then, there has been a recognition of three aspects of sustainable development—environmental, economic and social. Much emphasis has, however, been placed on the environment as a basis for the concept. But whilst acknowledging the development of sustainable development as an environmental concept, it is still possible to note that sustainable development has moved beyond its environmental parameters to embrace social, ethical, political, governance and cultural issues, among others.

Sustainability is now a broad multi-focal agenda, and terms such as 'triple bottom line' and 'sustainable development' are being used interchangeably (MacKenzie 2004). As a result, MacKenzie notes that 'sustainability' is in danger of carrying so many implications and nuances that in order for it to be properly understood, it must be defined whenever it is used. Sutton (2004) explanation for this is that as the scale of the task of achieving a sustainable environment and society has become apparent, many people have tried to insulate themselves from the enormity of the challenge by retreating into small incremental changes.

The Brundtland Report (WCED 1987) widely regarded as the basis upon which the sustainable development concept was crafted, defines sustainable development as, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' This report and the Rio documents (UN 1992) signify the combination of ecological, economic, social, and—something which is often ignored—institutional aspects of social development (Littig and Grießler 2005).

It can be noted from the fore-going that sustainable development seeks to integrate economic growth, social development and environmental management as interdependent, mutually supportive and reinforcing pillars of long-term development. It is also a development process which enhances peoples' capacity to create and consume wealth on a lasting basis. It, therefore, presupposes that it involves a wide range of actors, i.e., governments, the private sector, local communities, civil society organisations, institutions of higher learning and research and development partners. Many definitions of the concept have sought to imply that it is anything that impacts positively on our overall wellbeing now and clearly on future generations.

Whilst common sense would seem to tell us that our development should not be at the expense of that of future generations, the challenges in practice seem quite substantial.

4 Assessing Africa's Sustainable Challenges

Since the challenges posed by the exceptionally fluid meaning of sustainable development are manifold, in assessing the concept, it might be necessary to find a way in we can know its parameters. In spite of the difficulties in this direction, it is relevant to note that the elimination of poverty is very often associated with sustainability programmes (Sutton 2004). Poverty, as Sutton alludes to, erodes the clearly evident human potential of every single person caught in its grip, so with poverty there is an issue of the sustainability of personal or community potential. Using the World Bank's (2000/2001 World Development Report) conceptualisation of poverty, one can assume that poverty is caused because of the following: (a) material deprivation; (b) low levels of education and health; (c) vulnerability and exposure to risk; (d) being voiceless and powerless. All these traits are often found in many parts of Africa.

In 2015, the United Nations proposed 17 Sustainable Development Goals (SDGs) to eradicate extreme poverty, placing economic transformation and environmental sustainability at the centre of a new agenda to ensure prosperity in the world. The agenda calls for action by all countries to improve the lives of people everywhere by 2030. Whilst Africa is geared towards meeting this challenge of eradicating poverty, it is still beset by numerous problems which can derail the attainment of the agenda. The following are key areas where sustainable issues are beset with.

4.1 Economic

Most African countries have for some years relied mainly on the exploitation of natural resources for development. The revenues generated from the natural resources have been used to build infrastructure, industry, education and the provision of other amenities. However, the heavy dependence on natural resources has led to resource depletion and environmental degradation and also worsened the exposure of African economies to external shocks in view of the fluctuations in the prices of such commodities. Development plans have been truncated because of the difficulties experienced following the fluctuations in the prices of African commodities. This, in turn, has led to increasing poverty and fewer social development. In many instances, development objectives in Africa have largely gone unmet (Mkandawire 2005; Vicente 2005; Kapelus 2002), and in some areas, poverty has deepened despite programmes geared towards alleviating it (Campbell 2001).

According to Bond (2006) what is most striking about Africa today is, perhaps, the worsening trap of primary product dependence. The consequences of price fluctuations have been felt in rural communities where farmers have been hit by poor pricing for their produce. Although there have been calls for openness in international trade, trade restrictions still pervade, making it impossible for many African countries to export their produce to the developed world in any appreciable level. What persists is that Africa still continues to be an export-enclave even after years of political independence.

The drive towards structural adjustment programmes in Africa in the 1980s also caused poverty to deepen as social services and subsidies were cut on the urgings of the multilateral agencies (Ellwood 2001). A number of Africans are unable to access certain services today because of this de-regulation which handed over certain roles to private firms. Multinational companies (MNCs), which moved into these deregulated markets, currently enjoy huge incentives too which are detrimental to the development of their host nations. Development organisations which have examined the implications of IMF/World Bank conditionalities on poverty in developing countries have also criticised both organisations for making life unbearable for people in the developing countries (O'Brien et al. 2000). Escobar (1995) for instance, has argued that the so-called development initiatives supported by the multilateral agencies have created abnormalities such as poverty, underdevelopment, backwardness and landlessness. He accused the multilateral agencies of proceeding to address economic problems through a normalisation programme that denies value or initiative to local cultures.

The inter-connections that have emerged, as a result of the global process, have altered the dynamics in many rural areas. The economic linkages have also opened up richly endowed rural communities to disturbing influences like pollution and massive degradation of the environment. The impact of modernity, as expressed by the activities of MNCs on traditionalism, has largely been seen as disruptive and debilitating for many people, especially those in the mining areas. Nurnberger (Nurnberger 1999: 196) maintains that, 'their sovereignty was annulled, their leadership utilised, their economic potentials exploited as new roles and status definitions emerged.'

Whilst the dominant view is that investments could ensure the development of poor localities, it is pertinent to understand the argument put forth by Leggat (1985: 70) that, 'it is by no means certain that multinational activity brings developing countries the kind of development that they require,' rather, in spite of all the new opportunities that they bring, multinational companies could introduce 'inappropriate' technology and interfere with local economic development and growth objectives. Tandon (2002) argues on similar lines when he stresses that, there is no real evidence that Foreign Direct Investments (FDIs) bring development. The explanation for this is that, the goals of governments and investors are not the same, especially when one realises that business is not directly concerned with promoting local development in countries where they operate. It is widely held that businesses are organised to make profits, whereas governments are supposed to ensure development.

4.2 Social

Intuitively, with the huge investments being made by corporate bodies in Africa, one would have expected that an appreciable level of economic development and a greater level of prosperity would have prevailed, but that has not been the case. In resource-endowed areas of Africa, for example, poverty has deepened and environmental pollution continues to exacerbate. Indeed, the relationship between resource endowment and development has never been a simple one. Why such communities like Wassa area (gold) in Ghana and Ogoniland (oil) in Nigeria, to use a few examples, continue to remain poor, defies logic. These areas are endowed with resources but remain the bastions of massive environmental destructions that cannot be bequeathed to generations yet unborn.

There is every reason to conclude, as Campbell (2001) rightly notes that, the promotion of private economic interests has led to the delegitimisation and the weakening of African states which were already characterised by a fiscal crisis. Such countries cannot even enforce their own regulations and therefore have provided MNCs with the leeway of flouting environmental standards. Although the principal interest of many African countries had been to attract and retain foreign investment in order to promote growth and economic development, this consideration has also opened up richly endowed rural communities in Africa to disturbing influences. There is also a perception that the rights and ethnic integrity of these communities have been deemed contrary to national interest. Seemingly, potential health hazards have been ignored and the diversified livelihoods of rural dwellers undermined, as a result of the course being charted by African governments.

Today, a number of communities in Africa continue to express their disaffection over land rights, jobs and other ecological problems. The cumulative destruction of the environment in the name of 'development', the deterioration of the moral fibre of the society; the break-up of social cohesion and the continuous tension between businesses and communities have all impacted negatively on the condition of life in many parts of Africa. Some of these communities now represent a veritable picture of areas where ecological concerns are side-stepped for economic gains.

Analyses of the impacts of globalisation and social transformation generally emphasis the differing effects on various regions of the world (Castells 1996). For instance, in Nigeria, while oil supplies the country with constant export revenues and hope for the future, it also provides the country with one of its most intractable problems—conflicts (Thompson 2007). But given that 'development' used in this sense to mean 'social transformation,' is a worthwhile venture, it is baffling to see it as something that contradicts the objectives of globalisation. According to Hoogvelt (2002) social transformation can be seen as the antithesis of globalisation. Thomas (2000: 3) goes further to argue that, 'in practice it has proved quite possible for development to occur without alleviating poverty' adding that, 'some even argue that development necessarily entails worsening poverty'.

Much as many Africans desire to develop, often times, the challenges of development have negated some of their practices. There is often a failure to appreciate some

of their practices which are sustainable for progress. For instance, engagements with the Bushmen of the Kalahari Desert in Southern Africa have led to the discovery of trees and shrubs with medicinal values. The shrubs, which are purported to prolong life, have been used by traditionalists for years. This presupposes that these traditionalists have deep knowledge of medicinal plants, which has kept them healthy, outside orthodox medical practice. Local knowledge, expounded by traditionalists, has also helped to conserve the environment and created a basis for Africa's development, especially in places where there is a strict adherence to customs and traditions. The truth remains that rural societies always have an integrated system of learned behaviour patterns, ideas and products which they hold on to religiously to the benefit of their societies.

4.3 Environmental

Concerns about the environment and development in the third world have been an important feature of development studies for some time now. Critics of FDIs allege that MNCs tend to locate production in countries or regions with low wages, low taxes and weak environmental and social standards. They argue that FDIs contribute to a situation where countries are forced to lower their standards so as not to lose investment and jobs. In their book, Environmental Resources, Mather and Chapman (1995) recall the history of the Ok Tedi gold and copper mine in Papua New Guinea to illustrate a similar situation. They contended that Papua New Guinea's dependence on the project to sustain her economic programmes made it difficult for the country to impose environmental standards that would have been required of a similar operation in a developed economy.

In the wake of Africa's increased emphasis on the production of raw materials, not only has this increased her exports, it has also accelerated the depletion of her resources like timber and other mineral resources. Environmentalists argue that the urgency for the much-needed FDI has led to the minimisation of environmental issues in many African countries. The investors are, therefore, in a strong position to resist environmental controls and taxes which may be considered desirable by the host government. A key element in economic development is that the people of a country must be major participants in the process that brings about such changes (Perkins et al. 2001), however, as pertains in many areas, local communities hardly have a say in their development priorities and instead suffer greatly as a result of the changes to their economies.

Businesses now contest land claims with local communities and this has led to continuous tension between them. The unsustainable trends witnessed in many areas of Africa, have elicited strong responses from civil society for the development of national policies, management systems and mechanisms that define sustainable processes of development. Activists and environmental groups have in recent times campaigned for a more humane, eco-friendly, and equitable approach to mining activities in Africa and other poorer nations. The pressure has now shaped up a new

era of corporate responsibility. Societies have also given clear indications that they want business to adopt appropriate business practices and the development of their communities. This is, more so, when such areas are perceived to be relatively poor as set against the profits that businesses are making.

4.4 Governance

Governance processes refer to the quality of participation necessary to ensure that political, social and economic priorities are based on a broad consensus in society and that the voices of the excluded, poorest and most vulnerable are heard in decision-making (UNDP 2014). The mechanisms of good governance include transparent, democratic institutions as well as efficient public services which are lacking in the African set-up. What is undeniable is that, effective governance is a critical factor in sustainable economic growth and development.

As the development process in Africa came under more intensive scrutiny in the last few decades, the attention of observers also shifted to the relevance of governance in the whole equation. But governance has been haphazard in many African countries. Many African countries have for some time now drifted unto an unacceptable pattern of corruption, inefficiency and human rights abuses which have affected their development. Some have gradually fallen into anarchy, with the weakening of the state system.

The deficiencies in governance have also led to situations where civil society and the judiciary are unable to operate effectively and efficiently. The independence, integrity, and performance of the judiciary in many African countries remain questionable because it is handicapped by structural difficulties and inadequate funding, making their ability to dispense justice quite difficult.

One of the challenges faced by contemporary African countries in governance and development is the trend towards the weakening of national sovereignty. Globalisation has eroded aspects of the power of states to control the direction of their economies. Businesses, with their huge financial clout, meanwhile, are gaining power in the current settings. The growth of non-governmental organisations (NGOs) in recent years, therefore, can be interpreted as a response at dealing with problems emanating from businesses' relations with societies. Current interest in the contribution of MNCs to and in solving societal problems has been preceded by a period in which NGOs campaigned against the negative consequences of global forces in general and the power of MNCs in this process. Today, firms are increasingly being called upon to play a positive role in society and to contribute to a more sustainable process of development.

4.5 Cultural Issues

There is now a growing consensus that some of the solutions to problems that currently plague African societies and communities must proceed from understanding of the dynamics within the local context. Such dynamics include the role of indigenous knowledge and practices in the development processes (Angioni 2003; Dei 2002). In the past few years, indigenous knowledge has emerged as a significant resource in development discussions. Adherents of this have stressed that indigenous knowledge and their strategies can be used to promote development.

The use of indigenous knowledge has been seen by many as an alternative way of promoting development in poor rural communities in many parts of the world (Briggs 2005). For instance, in recent years, anthropologists and ecologists have argued that African pastoralists have developed sustainable modes of pasture management based on a sound knowledge of savannah ecosystems. Dei (2002), meanwhile, asserts that there is the need to call for locally defined models of sustainability in which the realities of local peoples, with all their societal, cultural, political, spiritual, moral, and ecological goals and aspirations, would prevail. To Dei and other adherents, indigenous knowledge, is of crucial significance if one wishes to introduce a cost-effective, participatory and sustainable development process. They herald indigenous knowledge as the basis for local-level decision-making in agriculture, health care, food preparation, education, natural resource management, and a host of other activities in rural communities. Therefore, indigenous knowledge has value not only for the culture in which it evolves, but also for scientists and planners striving to improve conditions in rural localities (Warren 1991).

5 Finding Solutions to the Sustainable Development Challenges

As has already been indicated, sustainable development requires, among other things, a socio-economic, political and cultural environment which enables people to engage in and sustain the development process. As such, Africa’s political system, to the extent that we can speak of one, should provide stability to allow people to engage in their day-to-day activities. Intra-ethnic conflicts, tribal wars and social tensions, as well as the denial of basic human rights, have constrained efforts to promote sustainable development on the continent. The conflicts in the Democratic Republic of Congo, South Sudan, Libya, among others, have continued to stall Africa’s March to prosperity. Instability has paralysed the economies of these countries, a situation that has made productive work more or less impossible.

People need to be able to have ideal conditions to perform their duties without fear. They need assurances or guarantees which protect their basic human rights to be able to engage in productive ventures. In such a condition, they can utilise their innovative

and creative capacities in the development process. Hence, social security should be seen as one of the necessary prerequisites for promoting sustainable development.

Another issue too that needs to be looked at is the state of women in Africa. The conditions under which African women participate in the development process leave a lot to be desired. Women are unable, in many instances, to utilise their physical and intellectual energies in promoting sustainable development because of certain limitations placed on them. They suffer immensely from some socio-cultural considerations which border on sexual discrimination, denial of credit for agricultural purposes, and land rights. Women farmers hardly benefit from rural credit facilities and this limits their contribution towards their farming activities. Some cultural norms also lead to women marrying at very tender ages. This often puts a break on their participation in formal education. That aside, the role assigned to women in the African cultural setting often prevents them from taking certain initiatives and therefore constrains their effective participation in the development process.

It is significant too for Africa's educational system to be overhauled in order to give prominence to areas that can help in the advancement of the continent's stride for progress. School courses should increasingly reflect areas of priority needed to advance the continent's developmental efforts. Not much too has been done to increase female enrolment in education in many parts of Africa. Incidentally, some African men tend to believe women are only fit for home. A recent remark by Nigeria's president, Muhammadu Buhari that his wife belongs to his kitchen (BBC 2016) is a fitting reminder of the chauvinistic thoughts of some African men, who ignore the need for females to have the best education possible. A more balanced development agenda for Africa needs the intellectual input of both men and women in the development process. This can only be achieved by removing gender barriers which limit women's access to higher education.

There is also the urgent need for more investments to be made in the development of human resources in Africa. A well-trained workforce can spear-head the drive for development on the continent. In addition to that, ensuring the adequate provision of water, electricity housing, healthcare and other essential requirements for the citizenry can lead to the rapid development of the continent. The energy crises being experienced in many parts of Africa have also led to the collapse of businesses as people grapple with erratic and insufficient supplies.

It is also important that African countries put in place strategies and policies to coordinate their agricultural, industrial and social sectors to generate significant value addition, employment and incomes and to eradicate poverty through very pragmatic means. The challenge is to promote the efficiency of natural resource, where applicable, without incurring the loss of the ecological basis for development and to and reinvest proceeds appropriately. The real end is sustainable well-being for all. Furthermore, policies should embody holistic, broad based and participatory approaches, to promote ownership and engender action by all, and for all.

5.1 Defining Corporate Sustainability

Sustainability has now been an issue at the firm level. Today most managers have accepted corporate sustainability as a precondition for doing business (Holliday 2001). The terms 'sustainability' and 'sustainable development' have been used very much lately in government and corporate circles, because of increasing discussion of environment and development (Sutton 2004). Still, there are those who insist that these terms carry different meanings. But in many circles, corporate sustainability is seen as a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Almost all companies have some activities that further the cause of sustainability. Those that have sustained their own financial success and provided long-term employment for many have at least part of the sustainability equation right.

The foregoing suggests a broad integrated conceptual approach in which the net benefits of economic activities are maximised, subject to the maintenance of the stock of productive assets over time, and providing a social safety net to meet the basic needs of the poor.

6 Corporate Sustainability: Which Way?

The challenges facing corporate bodies are varied and numerous. The issues are more contentious in investments that involve extracting natural resources where many of the projects have long been marred by corruption, military atrocities against communities, ecological damage, and social upheavals. Nigeria has had its problems in Ogoniland in the heart of communities torn by extreme poverty and ecological problems. An Environmentalist, Ken Saro-Wiwa, was hanged because of his campaign and subsequent confrontation with the authorities over environmental degradation in his native Ogoniland where oil production had devastated the lives of the people. As has been well-documented, diamonds were the cause of the long running war in Sierra Leone, Angola and even Congo where stones mined by rebel armies were used to fuel conflicts and in some cases, civil wars. In Ghana, the Wassa and Obuasi areas have witnessed numerous clashes over the years as security agencies battle small-scale miners who encroach on the concessions of the large mining firms. For rural dwellers who often oppose the unbridled support their governments offer the mining concerns, the consequences have been quite severe.

In view of these happenings, there have been disengagements with the business community in some communities but corporate sustainability offers real opportunities for the governments of Africa and corporate bodies to create some working partnership towards putting societies on sound footings. If indeed, sustainability requires responsible, ethical choices everywhere, as argued by Ehrenfeld (2005) then as he insists, companies, to some extent, can help 'steer' ethical behaviour through the design of their products and services. The baffling issue though is whether devel-

opment that is export orientated and private sector led can truly be 'sustainable' if it relies on the incentives of private, profit-making ventures which will exploit resources and labour as cheaply as possible, with little regard for conserving for the future. Notwithstanding that, sound policies and credible institutions for governance are vital to achieving sustainable development.

Engaging in Corporate Social Responsibility initiatives can help to develop capacity within public policy and regulatory institutions and to leverage additional resources through partnership. It is important, therefore, for firms to build partnerships with African government to advance this cause. Sharing wealth through joint ventures with good governments creates shared responsibility for success. Attempts can also be made by companies to support international efforts at eliminating corruption and promoting good governance on the continent. Without good governance, even the operations of companies can be affected, hence, the need for companies to actively engage governments on how best democracy can be entrenched.

Companies can also commit to building local management capacity. This will provide them with an opportunity to build a strong workforce and also give the citizens a sense of ownership. Support for educational programmes should also be high on the agenda of companies. Clearly, most businesses need an educated, skilled workforce for the present as well as the future, whilst efforts should also be made to provide local content when it comes to adding values to jobs. Companies, meanwhile, can create the basis for sustainable development if they also support local enterprises and conserve the environment.

A company's social responsibility must therefore involve capacity building for sustainable livelihoods, respect for cultural differences, and the promotion of the welfare and skill development for employees, the enhancement of life in the communities, and a creative relationship with the government and all other stakeholders. In essence, it is about focusing on the efficient running of the core business in a socially responsible way, complemented by investment in communities and the society in general. That is balancing the needs of the company and its survival with the prime objective of ensuring the best interest of its stakeholders.

7 Conclusion

This chapter examined sustainable development and the difficult challenges it poses in Africa. It also looked at the role of firms in the sustainable development process and concluded that both African governments and corporate bodies can nudge up the developmental process by satisfying local expectations and needs through improved operating outcomes in their fields of endeavour. For such a development to take place, it is imperative for African countries to maintain stability in order to promote and enhance development and livelihood improvement. In line with that, the chapter reiterated the need for good governance as a basis to articulate national development goals. It called for corporate support in that direction, noting that good governance promotes ideal conditions for business. More importantly, African governments, it

stressed, should also strive to make decisions in the light of their own specific realities and goals, using avenues and means that can ensure a participatory approach to development.

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The Role of Good Governance in Driving and Promoting Sustainable Development in the Provision of Off-Grid Electricity Solutions in Nigeria

Babawande Sheba and Hafiz Bello

1 Introduction

This chapter addresses the role played by public and corporate governance in promoting sustainable development in Nigeria particularly in terms of meeting the country's energy needs through the proliferation of off-grid electricity solutions. The term off-grid electricity is synonymous with the provision of electricity through means that are different to centralised grids. These off-grid solutions are sometimes referred to as mini-grids and/or micro-grids.

Ensuring access to affordable, reliable, sustainable, and modern energy for all became the seventh SDG (Goal 7)—outlined with three objectives (Goals 7.1, 7.2 and 7.3) with targets set for 2030 as follows (Bazilian et al. 2012, 2014; Sovacool 2013; Srivastava et al. 2012):

(a) 7.1—By 2030, ensure universal access to affordable, reliable and modern energy services
(b) 7.2—By 2030, increase substantially the share of renewable energy in the global energy mix
(c) 7.3—By 2030, double the global rate of improvement in energy efficiency.

Two addenda were made in 2016 by the United Nations to the targets which recognised the need to align initiatives of the United Nations with the efforts of national governments and synthesise the international cooperation efforts towards the delivery of clean energy solutions. The addendum are as follows:

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(a) 7.a—By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.
(b) 7.b—By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular the least developed countries, small island developing States, and landlocked developing countries, in accordance with their respective programmes of support (UNDP 2016).

As indicated form these addenda 7a and 7b, the successful implementation of these standalone systems relies on a good governance system which ensures that these infrastructural projects are delivered within the planned cost and time, and that the assumed benefits are realised.

Within the context of developing countries and sub-Saharan Africa in particular, the provision of energy to rural areas which are characterized by smaller community sizes, isolated physical locations and lower electrical loads have been challenging as they incur very high marginal cost of grid extension (Yadoo et al. 2011). Additionally, according to the Global Tracking framework on energy provision report of 2015 (United Nations Sustainable Energy for All programme) if the expansion for universal access is predicated on the use of conventional and traditional modern source of electricity provision that are currently prevalent in these developing and least developed countries, they will significantly add to the global greenhouse gas emission levels which are key drivers of global warming while also missing out on the target of 100% electrification by 2030 (Bazilian et al. 2012; UNSE4ALL 2014). The realities for the electricity sector with the sub Saharan African national governments through their electricity regulators have integrated national grids that have low coverage areas and as such limit the expanse of rural electrification (Bazilian et al. 2012; Tenenbaum et al. 2014), most of the national utilities also have financial difficulties which stems from being insolvent and being unable to attract investment from financiers as they do not show a clear path for tariff collection and payments as well as heavy subsidization of tariffs which create artificially low revenue and high technical or generation costs thus lacking the incentives to connect low load consumers from the rural areas. Similarly, many of the off-grid electricity projects are as a result of public and private (Corporates and Non-Governmental Organisations [NGOs]) partnerships. For the public (often the State on behalf of the society/community), it is important that there is a strong and effective governance that underpins their involvement and decision-making process. Likewise, for the private (often Corporates and NGOs), their involvement and decision-making process are often influenced by the type of organisation that they are, the underpinning corporate governance theory that drives their actions, and the governance regulatory landscape.

With this being said, good governance is required to transcend the whole spectrum for any partnership project to be a success i.e. from the boardroom of the private entity to the decision makers on behalf of the society i.e. the State. In this regard, we define good governance as the systems in place to ensure that all conflicts within such

partnerships are minimised or eliminated, thus providing the infrastructural project a greater chance of success. Within each node of this spectrum lies the principles and theories of good public and private/corporate governance. For these nodes to work together it is necessary to understand how they are linked to each other as well as where conflicts and gaps exist, including ways of addressing these gaps.

We therefore examined these theories and evaluate the effectiveness of corporate governance regulation in Nigeria. We used a matrix to analyse the synergies and conflicts/gaps within these matters, focusing on what it takes to achieve good governance within Nigeria. This mapping exercise is based on the attributes of the four main corporate governance theories (stakeholder, agency, stewardship, and resource-based) and the four World Resources Institute (WRI) indicators of good public governance (public participation, transparency and information access, accountability, and capacity). Evidences are drawn from the renewable energy sector of Nigeria in analysing how publicly funded off-grid electricity projects are governed from conception to implementation. The rationale for this choice is based on the challenges in producing real successes on these types of projects, mainly as a result of inappropriate sustainable management after the so-called "ribbon cutting" event. Finally, the chapter discusses the strategic importance of good governance mechanisms in promoting sustainable development within the renewable energy sector of Nigeria.

2 Public and Corporate Governance: Principles and Theories

Governance is an essential aspect of a functioning society and central to this is the role played by government in the relationship between businesses and society. These two entities are particularly important because the government is often the mediator between businesses and the society. The government, is responsible for the wellbeing of its residents and citizens, through the provision of policies and actions that can foster socio-economic development, health and security, and so on. Businesses on the other hand have to balance the need for profitability with organisational norms and actions that ensures that they sustain their business into the future and be held accountable for their actions. To ensure this, businesses need good governance in the way they conduct their strategic and operational activities and in the way they manage public resources, especially to ensure that these resources are not depleted. For publicly listed entities who are owned by 'shareowners' (Zenith Bank, Lafarge WAPCO, and Julius Berger are examples of this) but managed by 'managers' (i.e. an executive board of directors many of who have limited share ownership in the company) who have the task through delegation from their shareowners, having a good corporate governance structure ensures that there is accountability to both shareowners and stakeholders.

For the African context, successful infrastructure projects are often as a result of a public and private partnerships i.e. the State and the corporates or private businesses

or NGOs. Therefore, recognising the theories that drive good governance within these two areas are vital for successful partnerships. In this section, we examine the specific principles and theories that are essential for public governance within the context of decentralised electricity, as well as the key indicators for good public governance. In addition to this, we examine the theories that forms the building blocks of corporate governance, and how these links to the indicators of good public governance.

2.1 Public Governance: Principles and Theories

Effective public governance is crucial to the successful implementation of electricity reforms and by extension sustainable development benefits for electricity provision. Several studies have indicated a failure of governance especially in the rural context in the developing countries as a problem to achieving sustainable infrastructure at the desired scale (Bhattacharyya 2013; Mattes et al. 2015). It has also been established that there is a strong correlation between an enhanced decision-making process and expected outcomes of infrastructural delivery. Therefore, for public governance to be effective, importance should be placed on the investigation of these mechanisms through which governance is effected (Dixit et al. 2007).

In defining public governance of electricity infrastructure, Goldthau (2014, p. 135) and the Electricity Governance Initiative project summarised governance as "*the institutions, mechanisms and processes through which economic, political and administrative authority is exercised.*" These consist of policy processes and regulatory processes through which the infrastructure is governed from inception to implementation.

The effectiveness of these policy and regulatory processes is hinged on the principles of good governance. With regards to electricity infrastructure, the widely accepted theoretical principles are those developed by the World Resources Institute (WRI) and the United Nations Commission on Sustainable Development (UNCSD) in 2007. According to these bodies, the principles of good governance are based on four major attributes as follows:

1. Public participation,
2. Transparency and Information Access,
3. Accountability, and
4. Capacity.

2.2 Public Participation

Public participation within the scope of electricity governance refers to the availability of avenues through which useful and diverse inputs for the definition and prioritisation of issues, perspectives and options of a shared problem is facilitated

in the decision-making process (Dixit et al. 2007). The attributes for participation include but not limited to access to a relevant formal space to participate, access to a relevant format for an invitation to participate, the inclusiveness and openness for the invitation and eventual participation processes and lastly how to ensure that gathered input is put towards meaningful use.

2.3 Transparency and Information Access

This attribute describes the mechanism of allowing outsiders the opportunity to scrutinise and review actions and information that will have a direct effect on them. The attributes of this include the comprehensiveness and comprehensibility of provided information, timeliness, and availability and lastly the efforts made to ensure vulnerable groups and end users are included as required.

2.4 Accountability

This includes the mechanism for which justice and redress is sought. Holding formal government officials as well as private sector involvement within the electricity space accountable is crucial for sustainable governance. Accountability elements mainly focus on the clarity of the roles of actors and these include clarity on the role of institutions in decision making processes and roles within the sector. Clarity should also be on the available systematic monitoring processes of operations, and basis for definitions which are clearly communicated, including the availability of a legal system to uphold public interests.

2.5 Capacity

Capacity refers to the formal government's ability to practice good governance based on its social, technological, legal and institutional abilities as well as the ability of the civil society particularly interest groups and Non-Governmental Organisations to engage in decision making. The attributes for measuring capacity include the autonomous and independent capabilities of the government in carrying out governance actions, availability of resources to provide access, ease and level of effective participation of civil society based on informed analysis.

The four attributes described above are crucial for effective governance both in the policy processes as well as the regulatory processes, they are guidelines to provide a systemic understanding and a diagnosis for the what and how factors that constitutes good governance and practices in the complex and multi-layered interactions with the set of institutions, laws, regulations and policies (Goldthau 2014; Mahalingam

et al. 2006). They present a theoretical toolkit based on 51 indicators through which the governance landscape for rural electrification using renewables in the off-grid areas of Nigeria can be understood.

These indicators are used in evaluating how low or highly incorporated these four indicators are within the policy and regulatory landscape governing decentralised off grid electrification solutions. Gaps in the current mechanisms can be identified and assessed with the aim of proposing structures and the role for stakeholders that can propel good governance levels based on these four attributes. This will reveal what the current governance paradigm is within the space being examined based on the decision-making processes that have driven the policy and regulatory targets or outcomes.

3 Corporate Governance: Principles and Theories

Corporate governance attempts to resolve the most common problems encountered in the management of companies i.e. managers working to advance their own interest rather than the interest of their employers (shareowners). The development of corporate governance theories has their roots in this, although there are other assumptions that are demonstrated in the development of other theories.

3.1 Agency Theory

Agency theory is one of the fundamental basis of corporate governance. The theory assumes that managers (the agent), if left alone without appropriate monitoring and control mechanisms, will work to advance their own individual interest and place such interest ahead of the interest of their employers i.e. shareowners (the principal), and possibly other stakeholders. The principal-agent theory or model was first introduced by Michael Jensen and William Meckling in a 1976 paper (Goergen 2012). The relationship between the principal and the agent is one of delegation in that the agent is there to act in the best interest of the principal. In return for this, the principal pays the agent a fee. However, this process is no longer as simple as the explanation above implies. This is because there is an increasingly grey area especially among corporations about where the true accountability lies in the relationship between the principal and the agent. However, in the world of corporates, the relationship is a lot more complex. The owners of companies tend to be individuals who have little control over the company despite being tagged as owners. Their ownership is merely in the shares they own and their ability to have a say on the affairs of the company is often limited. The nature of the stock market also means that ownership of shares can change hand several times so the ‘principal’ is not constant whereas there is a level of stability in the case of the ‘agent’. This presents an issue in the agency theory as the principal is not necessary around for long enough to monitor the actions of the agent.

What tends to happen is that shareowners with a significant amount of share and long-term view of the company can exert a greater level of influence than many other shareowners whose ownership are less significant. Complete contracts are often used to address this principal-agent problem as a way of guiding managers in actions that are acceptable for each future contingency (Goergen 2012). However, these contracts are only useful if the predicted if the future has been accurately predicted.

3.2 Stakeholder Theory

Nordberg (2011, p. 25) states "*stakeholder theory suggests a different notion to the purpose of the board and the company, according to which shareholders' interests are rather less prominent.*" This is a different school of thought to how companies should be run and is mostly prominent in Japan although gaining increasing support in other regions. The stakeholder theory infer that the boards are not only accountable to the shareholders but also to all stakeholder groups. This means that when making decisions, the board must carefully consider the interest of all stakeholder groups and make the best decision that is in the interest of all groups or one that causes the least damage to any particular group. This theory, made popular by Freeman (1984) argues that stakeholders such as employees, customers, creditors, suppliers, amongst others, can shape the direction of the company. This is the weak view of stakeholders (Nordberg 2011). The strong view is that stakeholders do have 'intrinsic value' and does have the right to be heard (Nordberg 2011). Whether each stakeholder group directly contribute to the profitability of the company or not, the mere fact that they are important for the company to continue as a going concern means that they their approval should be sought on actions that affect the company.

3.3 Stewardship Theory

Stewardship theory assumes that people choose to work at a firm because they want to do well and thus care about the company doing well likewise. This school of thought is a significant divergence from both agency and stakeholder theories. This concept of stewardship can be seen in action in Germany where employees are entitled by law to have half the seats on the supervisory board of major companies (Nordberg 2011). Essentially, the interest of the agent and the principal are aligned without the need for excessive control and monitoring. In addition, achievement of goals amongst those involved in the governance of the organisation is more important than the interest of the agent (Van Slyke 2007). The challenges associated with this theory are in the area of choices to be made by the stewards. Some choices can be relatively straightforward while others can be complex, and thus requiring parameters by which the stewards can operate. Also, situations can arise that presents conflict of interests between the company's philosophy or value and those of the stewards. Such situation ultimately

results in an agency problem (Davis et al. 1997). Despite this, stewardship theory has its usefulness in organisations such as charities and social enterprises where the ultimate purpose is not to maximise the wealth of the shareholders but to positively impact the society through their work. In this situation, the board often comprises of individuals who are in those positions because of their commitment to the work being done by the charity.

3.4 Resource Dependency Theory

The resource dependency theory is based on the resource-based view theory of the firm developed by Wernerfelt (1984) which advocates for firms to pull together their key resources to drive competitive advantage. This theory relies on board members leveraging their experiences and expertise to help the company in securing resources that can help drive performance. This resource can be a physical or non-physical strength of the firm and include resources such as proprietary technology, brand name, technical expertise, awarded contracts, and so on. With the appropriate governance structure, managers can unlock those resources so that they are able to work at the maximum level of efficiency. Wernerfelt (1984) shed light on how a focus on resources, and not just products can elevate a firm. Although this theory gain prominence several years after the original publication, it has become an integral part of strategic thinking in recent years. One of the arguments is that Board of Directors are in effect a resource that is able to unlock several paths for the firm. Pfeffer and Salancik (2003, p. 383) states that the "*provision of resources*" is a second important function of the board, after "*monitoring*". Such, the board must be able to identify resources that can be useful to the business and bring those resources into the firm. This way, directors can create value for the firm. Salancik and Pfeffer (1978) provided ways by which directors can do this providing the following:

1. Advice and counsel
2. Legitimacy
3. Communication channels for the firm with external parties
4. Preferential access to commitments from elements outside the firm.

Given the two functions of the board in this respect, the monitoring function can be seen as belonging to the agency theory while the resources function can be seen as belonging to the resource dependency theory. These two functions can become a source of conflict within businesses (Nordberg 2011). This is because individuals may very well associate firmly with their background (area of expertise) and thereby make decisions or give advices that fits with their background.

In terms of infrastructural delivery for publicly funded renewable projects, there are direct relations with the four theories of corporate governance outlined above, especially in relation to how these projects are governed and managed by the agents (i.e. project directors), on behalf of the principal (the public or donors). The resource-based view theory argued for the presence of managers who can unlock resources

that can help achieve maximum efficiency. This is necessary for ensuring that those projects are delivered on time, and to their intended objectives. As it will later be shown in this chapter, there needs to be an alignment between good public and corporate governance mechanisms which recognises the context in which the infrastructure is to be delivered and engages with all relevant stakeholders is crucial for the sustainability of such infrastructure.

4 Synergies and Conflicts Between Public and Corporate Governance

The matrix depicted in this section provides a holistic analysis of the relationship between good public governance, based on WRI's four indicators, and the four main theories of corporate governance. This analysis forms the basis for identifying synergies and conflicts between public and private/corporate governance systems (Table 1).

4.1 Areas of Synergies

Transparency and information access align with most areas of stakeholder theory in terms of consideration for all stakeholders. For example, the need for transparency is in full alignment with the stakeholder theory school of thought which advocate for the involvement of all stakeholders. Also, transparency aligns fully with the stewardship theory emphasis on non-excessive monitoring which is based on the premise that

Table 1 Comparing WRI indicators with theories of corporate governance

WRI Indicators / Governance school of thoughts			Corporate Governance									
			1. Stakeholder Theory			2. Stewardship Theory		3. Agency Theory			4. Resource-dependency Theory	
			Consideration for all stakeholders	Seek Approval from all stakeholder groups	intrinsic value of each stakeholder (each must be heard)	Involvement of employees at all levels	Non-excessive monitoring	Remuneration of agent	Emphasis on monitoring	complete contract	Reliance on board expertise to provide resources	Unlocking the resource network for maximum efficiency
Public Governance	Transparency and Information Access	Role of donor agencies through loans and technical assistance	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Independent power producers	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment
		Selection of private sector providers	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Design and allocation of subsidies	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Clarity on decision making process on reforms	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Background policy information available	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Information available to public on consultants	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Part-alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Quality of media coverage on reform decisions	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Conflict	Alignment	Conflict	Part-alignment	Part-alignment
		Process of privatisation and bidding	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Competition Policy	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Conflict	Alignment	Conflict	Part-alignment	Part-alignment
	Participation	Advisory committees to the electricity ministry/department	Part-alignment	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Quality of public participation during policy decisions	Conflict	Part-alignment	Part-alignment	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment
		Quality of participation by stakeholders and government responsiveness	Conflict	Part-alignment	Part-alignment	Conflict	Alignment	Alignment	Alignment	Conflict	Part-alignment	Part-alignment
	Accountability	Annual reports of the electricity ministry/department	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	Part-alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Independent review of recommendations by consultants	Part-alignment	Part-alignment	Part-alignment	Conflict	Alignment	Part-alignment	Alignment	Conflict	Part-alignment	Part-alignment
		Accountability regarding subsidies	Conflict	Conflict	Conflict	Conflict	Alignment	Conflict	Alignment	Conflict	Part-alignment	Part-alignment
		Methodology for asset valuation	Conflict	Conflict	Conflict	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment
	Capacity	Capacity of the legislative committee	Part-alignment	Part-alignment	Part-alignment	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment
		Independence of the electricity ministry from the executive	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment
		District/regional planning/policy agency	Part-alignment	Part-alignment	Part-alignment	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment
		Capacity of organisations in the civil society	Alignment	Part-alignment	Part-alignment	Conflict	Alignment	No relation	Alignment	Conflict	Part-alignment	Part-alignment

Matrix of WRI governance indicators against corporate governance theories

people want to do well and that the interest of the agent and the principal are aligned without the need for excessive control and monitoring. For this to work in practice, this concept of stewardship would need to be a key feature of any public-private partnership. There is a strong argument for the influence of stewardship theory in these off-grid electrification projects as the theory places emphasis on board members who are in the role primarily due to their commitment to see the project become successful rather than due to any other motive. The challenge of achieving this is the lack of employee representation or involvement in Nigeria; this is an essential component of stewardship theory.

There is a strong level of alignment between Transparency and information access indicator and the key features of agency theory which emphasises the remuneration of agent and monitoring systems. This is because such remuneration does not conflict with the principles of transparency while emphasis on monitoring of systems also ensures the agent is required to make their decision process transparent to their principal. Agency theory recommends remuneration as one of the key ways of aligning the motives and decisions of the agent with the principal's. Hence, there is a clear synergy here between the indicators necessary for good public governance and the monitoring of systems and remuneration of agents stipulated in the agency theory.

On the participation indicator, there is a strong alignment with aspects of both stewardship and agency theory. Participation focuses on advisory committee, stakeholder and government responsiveness, and public participation during policy decision. We deem this to align with stewardship concept of non-excessive monitoring but not involvement of all employees which is an issue in Nigeria. For alignment with agency theory, the remuneration of the agent does not in any way conflict with participation on the three fronts stipulated by the indicator. Having said this, our analysis in Table 1 found no relation between quality of public participation during policy debates and the remuneration of the agent.

Similarly to the participation indicator, we found the accountability indicator to have a strong alignment with aspects of both stewardship and agency theory. Accountability focuses on reporting, independent review, accountability regarding subsidies, and methodology for asset valuation. For these indicators, we deem them to align with stewardship emphasis of non-excessive monitoring, as well as with agency theory emphasis on the remuneration of the agent to mitigate principal-agent problems. Also, corporate governance regulations in Nigeria promotes full disclosure of companies' operations and decisions in the annual reporting process thus promoting the spirit of accountability. There are a range of corporate governance guidelines available to organisations which helps promotes accountability. For example, the Central Bank issued a mandatory Code of Corporate Governance for banks in 2006 to ensure that the ultimate accountability of banks' affairs rest with the CEO. The code also addresses matters relating to board composition, non-executive directors, risk management, and the role of the internal auditor (Adewale 2013). Other codes include the SEC code for Shareholders, which is a voluntary code established in 2007; the PENCOM code (Code of Corporate Governance for Licensed Pension Operators) which was established as mandatory in 2008 to govern licensed operators; and the NAICOM Code which was established in 2009 as mandatory to governs Insurance

companies. Many of these codes were developed to assist the relevant sector or group in engaging with best practice corporate governance code relevant to them, as well as being a way to addressing shortcomings of companies to satisfy their shareholders (Osemeke and Adegbite 2016).

For the capacity indicator, there are synergies with aspects of stakeholder theory which emphasises the need for consideration of all stakeholders. For example, the capacity indicator requires district/regional planning or policy agency, and the capacity of organisations in the civil society. These aspects of the capacity indicator effectively promote the involvement of all stakeholders which the stakeholder theory advocates. Also, we deem the capacity indicator to be in alignment with both views of monitoring of the agent either with regards to stewardship theory (non-excessive monitoring) and agency theory (which places stronger emphasis on monitoring).

4.2 Conflicts and Gaps

Stakeholder Theory Versus Indicators: With regards to governance, the major conflict between the stakeholder school of thought is the difficulty in achieving quality participation and responsiveness in the process of policy making and regulation, this is manifested as a lack of absence of communication of policy outcomes in the local media or translating documents into the local language of the areas where the off-grid projects is going to be provided, which tend to have high levels of illiteracy. Accountability regarding subsidies and the methodologies for asset valuation is also a major conflict with the stakeholder theory school of thought as the consideration, approval, and intrinsic involvement is entirely absent across the spectrum due to the heavy reliance on foreign subsidies for most of the off-grid energy projects therefore, most of the valuations are done by the donors with very little public information or disclosure during the process of valuation or disbursement.

Stewardship Theory Versus Indicators: With the stewardship theory, as explained above there is full alignment with regards to the non-excessive monitoring attributes however, the success of non-excessive monitoring is heavily reliant on the involvement of all stakeholders at all levels in the decision-making process however, this is not the case with off grid electricity delivery in Nigeria. The consumers and society are hardly involved in the financial disbursement or decision making nor is there a clear channel of communication in place as illustrated in the discussions on transparency and accountability above. Therefore, for this element, there is a total divergence between public governance and corporate governance of off-grid electricity solutions as far as the stewardship theory requirement of involving all stakeholders is concerned.

Agency Theory Versus Indicators: The requirement of complete contract for corporate governance do not currently align with the public governance levels of infrastructure delivery in Nigeria. This is because the field of off-grid electricity is an emerging concept therefore, there is limited data available for unintended consequences to be evaluated and by extension the required mitigating measures to be

implemented by the CEO as need be. Although all other elements of the theory align in spirit with the requirements on policy, this is hardly the case as it manifests in Nigeria, there exists a lot of gaps in aligning the agency theory with public governance principles. This is largely due to a lack of clarity on the role of the agent and principal within off-grid electricity delivery space, there are a multitude of actors that tend to assimilate both roles (of agent and principal) due to the minimal scale of off-grid projects usually less than 1 MW (which cost about a few thousand pounds) therefore the role separations are not apparent.

Partial Alignment: The holistic analysis also revealed that seeking approval from all stakeholders as well as the intrinsic value of stakeholder inputs were partially fulfilled by corporate governance theories in the areas of off-grid electricity infrastructure, the policy and regulatory processes did allow for the inclusion of stakeholders and the approval but this groups were mainly the experts and government agencies involved in the design and finance of the projects which are mainly within the formal government spectrum, there were no alignment of these needs with the consumers and citizenry who had an equally important stake in the use, maintenance and operation of the projects. The resource dependency theory also had partial alignment with all the public governance indicators largely due to the truism that the theory relies heavily on the expertise of the corporate governing board to provide resource as well as maximise the efficiency of resource use. However, although this is possible, the composition of the board itself within the Nigerian space is one-sided. As evidenced in the stewardship theory analysis, board compositions are fraught with corruption and nepotistic tendencies. A review of several cases on the effectiveness of corporate governance regulations in Nigeria accedes to this trend. In the study a series of corporate failings led to a series of measures by the Security Exchange Commission [SEC] to instil some confidence into the country. However, it was found that there were multiple codes of corporate governance which creates challenges for organisations and breeds inefficiencies on the dependence and reliability of the board. This is due to conflicts that exists within the codes thus creating interpretation challenges for businesses. Osemeke and Adegbite (2016; p. 17) found conflicts on recommendations on "*board size, directors' independence, CEO duality, board membership and audit committees.*" A notable example is on the recommendation of board independence where the SEC, PENCOM, and NAICOM codes recommended the presence of at least one independent director whereas the CBN code recommended a minimum of two (Osemeke and Adegbite 2016; p. 20). In addition, the CBN code found that multiple concurrent directorships lead to conflict of interests and could interfere with the director's ability to discharge his/her responsibilities, whereas the SEC code places no limit on the number of boards that directors can serve on (Osemeke and Adegbite 2016). The works of Osemeke and Adegbite (2016) and Adewale (2013) propose a mandatory code of corporate governance for Nigeria, to advance the enforcement mechanisms of the code. One reason for this could be because the Nigerian society is not based on the common law for which the principles-based "comply or explain" approach of the UK was built on. It may very well be more appropriate to follow the US rules-based system which is more prescriptive and required compliance from firms.

No Relationships: The public and corporate governance indicators selected in this analysis had no relationships only within the areas of ‘remuneration of the agent’ under the agency theory based on the context and level of our analysis. For off-grid energy projects which are mainly driven by small scale electricity needs, there is rarely a central agent that is relevant to driving performance. The ownership of off-grid electricity infrastructure is mainly very small scale and subsidy driven because of the non-competitive nature of off-grid electricity tariffs. Therefore, we found no relationship of the element of this theory with the context of our analysis.

5 Achieving Good Governance Within Nigeria

The analysis performed was an holistic evaluation based on 210 indicators as a scorecard for the off grid electricity governance processes and to identify gaps within the policy documents that is weak according to corporate governance principles and by extension the public governance of off-grid electrification in Nigeria. We hope it gives an insight into the strategic importance of good governance for the renewable sector.

From our analysis, the stakeholder theory has the most relevance as a corporate governing principle with the off-grid public governance nodes. Of the 60 analytical indicators, only 8 within our analysis reveals conflicting mechanisms in policy and regulatory procedures representing about 13% level of non-alignment. Transparency and information access seems to be very aligned in terms of the requirements of public and corporate governance processes and requirements however, there needs to be a lot more accountability and participation in the policy making process, it seems that there is too much trust placed in independent and private consultants to speak for the consumers and the citizenry in terms of rural electrification and there is a lack of mechanism through which complaints can be addressed. The process is also highly secretive until the end of the process which makes accountability difficult. This has given rise to a situation where actors influencing the processes through which an innovative technological evolution is to occur have been fragmented and disconnected and do not maximise the full potential of what can be done in the governing of the rural electrification infrastructure in the enacting of policies in both the policy making process and the institutional elements to carry out these processes.

Although there have been some alignments, our analysis also reveals that 67% of the time, there are no alignments between public governance and corporate governance principles in terms of how the off-grid electricity infrastructure is governed, 141 out of the 210 relationships in the matrix fall under (part alignment, conflicts or no relationship). This has translated into a key challenge for the sector which remains the lack of a formal power market model for rural electrification which is lacking and not provided for in any of the legislations. This is providing a major constraint in terms of the ability of private sector involvement due to the ambiguity and inconsistencies of government policies with respect to the corporate market model and user market rule consistency. The current regulatory framework do not

also allow mechanism to provide financial, legal and techno-economic recognition and assistance to the weaker and marginal sections of the consumers as well as to the active civil society groups within the renewable electricity sector space to enhance participation as well as enhance the space for participatory contribution and redress where necessary. Having said all these, studies have shown that communal power and other infrastructural projects are already existing in the country (Akinola 2007), the absence of rigid institutional arrangements that facilitate and encourage beneficiaries of localised rural infrastructure to find ways of financing, constructing, operating and maintaining infrastructures provided by central governments while attempting to rent seek or even run down the infrastructure shows an evident de-alignment of motives and a fragmentation of priorities when it comes to public governance from consumers towards corporate provided infrastructures within rural landscapes. This fragmentation on how the processes of corporate regulation enshrines the four key governance principles leads to a stagnation in the formation of networks and a parallel structuration which weakens both institutional structures around the governance of infrastructures. The governance structures thus create an 'unregulated' governance of infrastructure that prevails with the consumers in the rural landscapes.

6 Conclusions

Through this chapter, we have critically evaluated the role played by public and corporate governance in the promotion of sustainable development in Nigeria and by extension the fulfilment of sustainable development goal 7 for ensuring global energy access from a governance point of view. For public governance, we evaluated the components on good public governance based on four WRI indicators of public participation, transparency and information access, accountability, and capacity. The use of the governance principles of transparency, participation, accountability, and capacity as indicators of good governance along with their respective indicators and attributes were used to present a snapshot of the governance principles in the policy making process and identify gaps and the shortcomings of good governance in the process. We also compared the main theories of corporate governance, focusing on the rationale behind each theory and their implications for businesses. Through this, we were able to map the attributes of the four main corporate governance theories against the four WRI indicators of good public governance to create an evaluative criterion for good governance in Nigeria, within the context of decentralised electricity infrastructure projects.

The mapping exercise found key areas of alignment between the good public governance indicators (WRI) and the different theories of corporate governance. However, we also found a large number of areas where there may be conflicts that require reconciliation for such public-private engagement towards energy access provision to be a success.

We found that stakeholder theory has the most relevance as a corporate governing principle within off-grid public governance nodes, with conflicts in only 13% of the

60 indicators for this. Particularly in alignment were aspects of stakeholder theory which places emphasis on consideration for all stakeholders. Similar alignment was found in aspects of stewardship theories which places emphasis on non-excessive monitoring although not at the levels found in relation to stakeholder theory.

We found a reasonable level of alignment between aspects of agency theory and the four indicators of good governance. Particularly, agency theory's emphasis on monitoring agents' actions and remuneration of agents is found to be in alignment with each WRI indicator of transparency, participation, accountability, and capacity. However, we found conflicts between all WRI indicators and stewardship theory's emphasis on the involvement of employees at all levels, as well as the use of complete contracts as emphasised in the agency theory. These conflicts are due to insufficient due process in Nigeria which often exclude employees, coupled with short-term approach of many organisations which is a major issue for off-grid electrification of rural areas which requires a longer-term approach. Furthermore, we found major gaps in accountability, while only partial alignment was found with many aspects of both stakeholder and resource-dependency theories.

Finally, we propose that these conflicts and gaps are reconciled in order to ensure the success of such public-private partnership in off-grid electrification projects in Nigeria.

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Marketing and the Sustainable Development Goals (SDGs): A Review and Research Agenda

Yasmin Anwar and Noha El-Bassiouny

1 Introduction

Businesses are facing major challenges concerning sustainable development and growth (Hunt 2011). They need to comply with increasing environmental and social legislation and regulation, adapt to growing concern about finiteness of natural resources, consider shareholders' opinions about socially responsible business practices and match the evolution of social attitudes and values in capitalist societies (Jones et al. 2008). Due to these trends and the realization that companies have social obligations, companies have begun to implement sustainability measures as part of their corporate social responsibility (CSR) initiatives (Borin and Metcalf 2010).

At the same time, academics are encouraging businesses to be more involved in societal issues (Margolis and Walsh 2003) and are backing the idea of creating "shared value" between business and sustainability goals (Porter and Kramer 2006). It is proposed that shared value can be realized by aligning business functions with stakeholder feedback (El-Bassiouny et al. 2018). To this end, the United Nations significantly relies on businesses to help achieve the Sustainable Development Goals (SDGs) (Jones et al. 2018; Charter et al. 2002).

However, critics of the shared value approach argue that sustainable development cannot be aligned with the current model of capitalism and its economic growth paradigm (Jones et al. 2018). One such critic is Kilbourne (2004: 202), who argues that "as long as continuous economic growth is the desired goal and growth in mate-

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rial wealth is coterminous with progress, sustainability will remain illusive". There is an ongoing debate about whether sustainability and the SDGs can be aligned with the Dominant Social Paradigm (DSP) or an entirely different paradigm must be developed (Kilbourne 2004). Rakic and Rakic (2015) argue that the dominant economic system based on infinite growth and unlimited resources needs to be reformed.

Furthermore, marketing attempts at social involvement are often met with cynicism and suspicion. It is claimed that marketing has harmed society in several ways (Jahdi and Acikdilli 2009) including increasing demand and consumption in an unsustainable manner (Kotler 2011; Charter et al. 2002; Peattie and Crane 2005; Gordon et al. 2011). Marketing has also affected consumption patterns through "planned obsolence" which happens when companies intentionally manufacture products and services that break down in a short time span, so that consumers are forced to purchase new products (Skowron and Szymoniuk 2014).

Yet marketing can still be implemented in ways to achieve sustainability (Gordon et al. 2011). Some firms have already developed successful ways to design sustainable products and services, to disseminate environmental information, to track the sustainability of their supply chains and to communicate to consumers about the impact of their product choices on sustainability (Peattie and Belz 2010).

It is crucial to note that companies nowadays must set in place a process of evaluating the social impact of their business decisions, otherwise they risk their future survival as competing firms race ahead of them in establishing sustainable growth strategies (Porter and Kramer 2006).

This conceptual paper aims to propose an agenda for businesses to help them achieve the SDGs. The paper begins by revising the literature review on how marketing and sustainable development are defined, which is then followed by a revision of research on the relationship between both concepts. Next, the paper covers the case against The Dominant Social Paradigm and how marketing is currently being used to tackle the sustainability issue. Afterwards, an overview of the SDGs is presented and finally, research streams in tandem with the SDGs are proposed for further exploration.

2 Marketing Defined

Since 1935 and up until 2013, the definition of marketing underwent several transformations. In its earlier years, the definition was centered around short-term transactions that facilitated the distribution of goods and services. Beginning in 2007 however, the definition began to encompass the relationship between marketing, society and all stakeholders affected by business (Sanclemente-Téllez 2017).

In 2013, The American Marketing Association defined marketing as "the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large" (Sanclemente-Téllez 2017: 6). This definition resonates with the concept of "sustainability marketing" which focuses on providing an organization's stakehold-

ers with higher sustainable value by developing and delivering sustainable solutions (Charter et al. 2002). By creating social and environmental value through sustainability, marketing inherently increases customer value (Belz and Schmidt-Riediger 2010).

3 The Evolution of Marketing Schools of Thought

The evolution of marketing over the years can be analyzed using several constructs. Within the scope of this paper, we will refer to the marketing schools of thought stated in academia and to the main concepts which have defined marketing activities over time.

The first marketing school of thought noted in academia is the managerial school which was dominant between the years 1950 and 1960. This school's focus was on the seller/manufacturer in the marketing process while it ignored the role of dealers, suppliers or other types of businesses. Moving onwards, during the period between 1970 and 1980, the activist school gained prominence and its focuses was solely on the consumer's market perspective without taking into consideration an institutional or macro-viewpoint. At the same time, during 1970, a competing school of thought emerged, the school of macromarketing, which continues to be the leading school of thought to this day. The macromarketing school focuses on the symbiotic relationship between organizations and the society and all stakeholders within the organization's environment (Sanclemente-Téllez 2017).

Prior to 1969, marketing models were founded on the occurrence of financial transactions, where marketing was merely viewed as a tool that aids in facilitating these transactions. Consequently, marketing theory mainly sought to describe and analyze how goods and services were priced, promoted and distributed in commercial markets only. However, starting in 1969, the "broadening movement", which viewed limiting the scope of marketing to a commercial context restrictive, introduced the concept that marketing could be applied on a larger scale than just commercial activities (Kotler 2005).

Similarly, in terms of marketing activities, five main concepts have replaced each other over time. First in line was the production concept which dealt with satisfying unmet demand by producing larger quantities at a lower cost. Then came the product concept which focused on improving quality and adding innovative features to meet consumer preferences. That was followed by the selling concept which relied on aggressive selling and promotions to increase consumer demand for goods. In the mid-twentieth century, there was a significant shift to a consumer-centric approach, which had the primary goal of delivering superior value to targeted customers. Afterwards, the societal marketing concept arose with an emphasis on performing marketing activities with social and ethical considerations (Kumar et al. 2012).

In 1992, the United Nations Conference on Environment and Development stressed that businesses are expected to help in achieving sustainable development (Kinoti 2011) and this set the stage for sustainability marketing. Currently, the focus

is on including sustainability in marketing activities as a major factor to achieve a competitive advantage. The main differentiator of sustainability marketing is that it does not only cater to intra-personal and inter-personal needs, but it aims to fulfill to the needs of future generations. To fit under the umbrella of sustainability marketing, organizations must implement a marketing strategy that fulfills customer needs after sustaining profitability, public interest and ecology (Kumar et al. 2012).

4 Sustainable Development and Sustainability

According to The Brundtland report issued by The World Commission on Environment and Development, sustainable development is defined as development which "meets the needs of the present without compromising the ability of future generations to meet their own needs" (Van Dam and Apeldoorn 1996). Moreover, The Organization for Economic Co-operation and Development defined sustainability as "the consumption of goods and services that meet basic needs and quality of life without jeopardizing the needs of future generations" (Gordon et al. 2011).

At the same time, sustainability has become a catchword word among individuals and businesses who use it to portray a sense of caring about the environment and sometimes refer to it as being "green" or "environmentally friendly" (Minton et al. 2012). Jones et al. (2008) state that myriad definitions exist for sustainability and not all of them are synonymous. While some scholars use it to refer to ecological concerns only, other scholars argue that it encompasses economic, social and environmental issues. Carroll (2008) affirms that at the outset, sustainability's definition was limited to the natural environment, yet it later extended to the wider social and stakeholder environment. Porter and Kramer (2006) state that sustainability in its essence is about "environmental and community stewardship". In other words, sustainability is about achieving "economic prosperity", "environmental quality" and "social equity" which comprise the "triple bottom line" (Hunt 2011; Borin and Metcalf 2010; Charter et al. 2002).

5 Sustainable Development and Marketing

Another concrete definition of sustainability clarifies the relationship between marketing and sustainability by showing that both concepts share a common variable which is "values" (Skowron and Szymoniuk 2014). Whereas the goal of marketing is to create value for stakeholders (Sanclemente-Téllez 2017), the formula of sustainable development includes value as one of the four factors influencing sustainability (Skowron and Szymoniuk 2014).

According to Skowron and Szymoniuk (2014: 40) the formula stipulates that

$$S = D \times T \times V \times G$$

where:

S (sustainability) refers to environmental balance,
D (demography) refers to human potential, subject to demographic phenomena (population structure, migration phenomena, etc.)
T (technology) refers to the development of technology through the supply of product, process and organizational innovations,
V (values) refers to a system of values shared and respected in social and market activity by organizations, authorities, consumers, employees, etc.
G (government) refers to the policy of central and local authorities toward the economy and society.

However, Peattie and Belz (2010) argue that conventional marketing falls short of including social and ecological issues into its paradigm by viewing the world mainly from the customer's perspective. Within this conventional paradigm, social and ecological problems are treated as constraints to economic growth. Kilbourne (2004) claims that this view of marketing stems from the dominant social paradigm which is based on the tenets of economic and political liberalism. A dominant social paradigm is defined as "the collection of norms, beliefs, values, habits, and so on that form the world view most commonly held within a culture" (2004: 194). The author asserts that this paradigm appears to clash with sustainable development in that it encourages increased consumption.

Furthermore, the lack of consensus on how to deal with climate change while maintaining economic growth is an indicator that actions to combat environmental problems are viewed as opposing to the economic growth theory which is the foundation of capitalist economics and consumerism (Gordon et al. 2011). This view seems to be so ingrained to the extent that Margolis et al. (2009) assert that anyone challenging the fact that the main purpose of a firm goes beyond increasing shareholder value must accept the existence of the dominant social paradigm.

Making matters more serious, the view that the single purpose of a business is to increase shareholder value has become entrenched into future managers' thinking via the curricula of business schools. Advocates of this paradigm think it is irrational to improve the performance of more than one variable because calculating opportunity costs and deciding on courses of action becomes impossible with the presence of more than one variable (Margolis and Walsh 2003). Within the scope of this paradigm, marketing is focused on achieving short-term economic gain without examining the long-term ecological effects that lead to environmental problems (Mitchell et al. 2010).

6 The Case Against the Dominant Social Paradigm

What the dominant social paradigm fails to contemplate is that economic growth is based on the state of the planet as we know it today and without ecological and social sustainability, the earth's features will change in a way that will make economic growth unattainable (Charter et al. 2002).

6.1 The New Corporate Philosophy

As previously mentioned, when the United Nations Conference on Environment and Development announced that businesses are expected to help in achieving sustainable development in 1992, a new paradigm was introduced (Kinoti 2011). Shortly after, Smith (1994) published an article titled "The New Corporate Philosophy" which claimed that "the new paradigm encourages corporations to play a leadership role in social problem solving by funding long-term initiatives". In addition to this, Smith coined the term "corporate citizens", which he defined as corporates whose goal was to accomplish self-interest while simultaneously and intuitively searching for ways align self-interest with the wellbeing of society. AT&T is cited as the first company to embrace the new paradigm by which it intended to reform the company and the society at the same time.

As a result of this new paradigm, companies were encouraged, based on empirical research, to pursue corporate social responsibility to achieve benefits including: increased sales and market share, strengthened brand positioning, improved corporate image, increased ability to attract, motivate and retain employees, decreased operating costs and increased appeal to investors and financial analysts (Lee and Kotler 2009). Additionally, during the 1990s, multinationals such as IBM began to implement corporate social responsibility outside of their home countries and to use it as a competitive advantage when entering new developing markets (Smith 1994). By the mid-1990s, companies were attempting to do well and do good simultaneously (Lee and Kotler 2009). To verify the claim that firms could profit while carrying out corporate social activities, more than 190 studies were conducted over thirty-five years to explore the effect of corporate social responsibility on corporate financial performance (Margolis et al. 2009).

Moving into the first decade of the 2000s, corporate social responsibility began to fully assimilate with strategic management and corporate governance (Carroll 2008). Hess et al. (2002) claim that this shift in corporate social involvement can be attributed to three main factors. The first is the competitive advantage factor which drives companies to implement corporate social initiatives to set themselves apart from competitors. The second is the new moral marketplace factor which refers to the moral expectations of stakeholders which pressure the company to adhere to certain moral standards. The third is the comparative advantage of private firms which asserts that private companies have developed capabilities and resources which equip them to handle social problems in a better way than governments and non-profit organizations. In support of this notion, Kotler and Lee (2005) contend that there is no conflict of interests between doing good and gaining a competitive advantage by stating that, on the contrary, "when there's a social and marketing advantage to be gained by engaging an issue, a company would be irresponsible not to pursue it" (2005: 103).

6.2 The Shift Towards Inclusive Capitalism

Moreover, during this decade, Prahalad and Hart (2002) asserted that it was time for multinational companies to start viewing globalization strategies as a way to implement "inclusive capitalism". They supported their argument by stating that countries who still do not have a fully developed infrastructure or goods that meet rudimentary human needs are the perfect environment to test sustainable strategies from the get-go. The authors encouraged multinationals to avoid re-creating the unsustainable consumption patterns which were already deep-seated in the developed countries. In addition to that, Hess et al. (2002) affirm that corporate social involvement is a must for multinationals expanding in developing countries, on the basis that these communities expect to get a share of the rewards the companies are gaining by operating in their countries. In a way, this puts a liability on the firm to live up to these expectations.

According to Prahalad and Hart (2002), for multinationals to succeed in the 21st century, they must play a part in sustainable development by working to narrow the gap between rich and poor, fostering local markets and cultures, leveraging local solutions and creating wealth at the lowest levels of The World Economic Pyramid. Under this view, when multinationals hire from the workforce at the bottom of the economic pyramid, this increases these individuals' income, standard of living and consequently their buying power, which is an opportunity for companies "to do well and do good". Furthermore, the authors claimed that by developing sustainable product innovations for the bottom of the pyramid, the benefit will be twofold. This is because not only will Tier 4 individuals have more choices, but Tier 4's lifestyles could also be re-shaped by the availability of sustainable innovations. More recently, Leke and Desvaux (2018) encourage corporations to invest in Africa by taking on a sustainable approach to do well by doing good.

6.3 Challenges Facing CSR Activities

The benefits of carrying out corporate social activities seem to be numerous, yet these initiatives are still attacked by investors who claim they are a waste of money and by consumers and interest groups who think companies are not living up to their social responsibility expectations (Blomqvist and Posner 2004). Porter and Kramer (2006) argue that the failure of corporate social responsibility to live up to its expectations is due to the absence of a specific framework that integrates the firm's corporate social initiatives with its strategies and operations. Likewise, Blomqvist and Posner (2004) state that based on their experience, the failure of corporate social initiatives is predominantly the result of not integrating these initiatives with brand strategies. Furthermore, through the research they conducted, Becker-Olsen et al. (2006) discovered that a low fit between corporate social initiatives and the brand had a negative effect on consumers' attitudes toward the firm and initiatives that seemed

mainly profit-driven had the same effect. In tandem, Öberseder, Schlegelmilch and Gruber (2011) state that for CSR activities to have a positive effect on consumers' purchase intention, there must be a good fit between the company's CSR activities and its business.

6.4 Comprehensive CSR Frameworks

To tackle this issue, several attempts at devising frameworks that align a company's CSR activities with its business have been made. These include a framework that charts social opportunities that fit with business activities along the value chain by Porter and Kramer (2006), and a model developed by Maignan and Ferrell (2004) that focuses on addressing stakeholders' needs through CSR activities.

6.4.1 Mapping Social Opportunities

Porter and Kramer (2006) devised a framework which reflects the interdependencies between a firm and society, aiming to help companies make better decisions about corporate social initiatives they pursue. The framework is founded on the assumption that an organization affects society through its operations and this form of interdependency is termed "inside-out linkages". Podnar and Golob (2007) support this perspective by emphasizing that it is a must for corporate marketers to include social considerations into all levels of their firm's activities and daily operations. The second assumption in the Porter and Kramer (2006) framework is that an organization is affected by the social environment surrounding it and this relationship is termed "outside-in linkages".

Using this framework, organizations can assess strategic points of intersection with social issues which is the starting point to setting integrating corporate strategy with corporate social activities. The key to guiding decisions about which activities to pursue should not be about which social issues are most worthy, but which will create the highest shared value that is useful for both society and the organization. The next step is to create a corporate social agenda which is not only based on community expectations but on mutual benefits that can be achieved socially and economically. Here the authors differentiate between "responsive corporate social" and "strategic corporate social responsibility" in that while the former's purpose is to alleviate negative effects from business activities, the latter focuses on supporting social activities that are highly connected to the company's business. Applying this strategy approach is claimed to increase the prospects of mutual benefit for society and the business by leveraging the firm's existing resources and capabilities. Lee and Kotler (2009) outline a similar approach for corporate social marketing which stipulates that for the society and the firm to benefit from corporate social initiatives, the business must create a positive change in consumer behavior, and this will only happen if the cause chosen by the firm fits with its core, markets, goods and services.

6.4.2 Stakeholder Involvement

It can be observed that with the onset of the 2000s, the range of stakeholders involved in corporate social responsibility issues expanded in comparison to the previous decades (Carroll 2008). Maignan and Ferrell (2004) proposed that marketers can improve the success rates of their corporate social activities by considering stakeholders' perspectives. In addition to this, Maignan, Ferrell and Ferrell (2005) responded to this novel interest in stakeholders by introducing a model to help companies implement corporate social activities through addressing stakeholders' needs. The authors define stakeholders as "the individuals or groups that can directly or indirectly affect, or be affected by, a firm's activities" (2005: 959). The proposed model consists of eight steps. As a start, organizations must define their norms and values clearly then identify and classify stakeholders based on the degree to which they affect or are affected by the firm's activities. Next, firms need to identify the issues stakeholders are facing. The following step requires that the firm defines corporate social responsibility in a way that fits its values and interests. The definition formulated at this stage is then used to evaluate the organization's current corporate social responsibility practices and to select specific corporate social activities to undertake. After implementing and promoting the social initiatives, the model stipulates that the last step should be to gain stakeholder feedback about these activities using both quantitative and qualitative methods. This feedback should then be used as input to reassess the initial steps in the process.

7 How Marketing Is Tackling the Sustainability Agenda

Gradually, as the effect of businesses on the different stakeholders got more attention, new forms of marketing emerged that accentuate the effect of marketing on environmental and social issues. These include the three main categories of ecological marketing, greener marketing and sustainable marketing among other related strategies (Charter et al. 2002; Kinoti 2011).

7.1 Ecological Versus Green Marketing

Ecological marketing was centered on dealing with factors that affect ecology and pollution in a proactive way. In line with this concept, corporate marketing was given the responsibility of educating and directing consumers to make ecologically-wise purchase decisions (Kumar et al. 2012; Van Dam and Apeldoorn 1996). This form of marketing was mainly concerned with how the product and its production process could become ecologically friendly (Charter et al. 2002).

On the other hand, with the green marketing approach, companies are expected to implement a holistic approach to sustainability by applying it from production

to after-sales service, with the aim of profiting while protecting the environment (Gordon et al. 2011; Charter et al. 2002; Jay Polonsky 2008). Green marketing assumes a less proactive role than ecological marketing in that it relies on pressures from legislation and stakeholder influence to implement environmentally friendly initiatives (Kumar et al. 2012; Van Dam and Apeldoorn 1996).

Both approaches have been criticized on different grounds. Ecological marketing is viewed by critics to overestimate the willingness of companies to engage in environmentally-friendly production without external pressure (Van Dam and Apeldoorn 1996), while green marketing is thought to overestimate consumers' demand for environmentally friendly goods (Van Dam and Apeldoorn 1996; Kinoti 2011; Ginsberg and Bloom 2004). Ginsberg and Bloom (2004) argue that most consumers will not forgo their wants just for the sake of going green. Consumers had appeared to be excited about going green in the early 1990s but a few years later this phenomenon diminished (Grant 2008; Ginsberg and Bloom 2004; Peattie and Crane 2005).

7.2 Problems Facing Green Marketing

According to Peattie and Crane (2005), there are five main problems derailing green marketing from succeeding. The first of these problems is "green spinning" which mainly occurs in controversial industries such as oil, chemicals, pharmaceuticals and automotive. This phenomenon involves the use of public relations tactics to react to society's criticism about the company's actions that reflect negatively on the environment. This reactive and superficial approach to dealing with environmental issues always fails to pacify stakeholders' concerns.

The second trap green marketing falls into is "green selling"; also referred to as "green puffery" (Gordon et al. 2011) or "green washing" (Grant 2008). This happens when companies falsely claim that their products have environmentally-friendly features to jump on the environmental consumer trend without changing anything about their existing products (Jay Polonsky 2008; Peattie and Crane 2005). Another problem green marketing is suffering from is "green harvesting". This is when companies place a premium price on their products to exploit consumers, despite cost savings garnered from environmental practices in the product process (Peattie and Crane 2005).

In addition to this, some companies attempt "Enviropreneur marketing" by launching a brand line or portfolio that is environmentally friendly even though the rest of their product lines are not which appears hypocritical (Peattie and Crane 2005; Grant 2008). The final problem Peattie and Crane (2005) outline is "compliance marketing" where companies view complying to environmental legislation as an opportunity to market themselves as environmentally friendly.

7.3 Comprehensive Frameworks to Tackle Sustainability

As companies attempt to integrate sustainability into their corporate strategies (Jones et al. 2008), several frameworks have emerged. The proposed frameworks incorporate sustainability in all aspects of the product lifecycle, including research and development, product development to consumption (Kotler 2011; Jones et al. 2008; Charter et al. 2002). According to Charter et al. (2002) companies can transition between several stages in applying sustainability practices.

7.3.1 Updating the Marketing Mix

Kotler (2011) and Charter et al. (2002) explain that marketers will need to update the marketing mix's traditional 4P approach to integrate sustainability practices. Accordingly, the scope of product decisions will not only include environmental issues related to the production process but also how the products will be disposed of post-use. This approach is also referred to as "cradle to grave" (Gordon et al. 2011). Similarly, Peattie and Crane (2005) argue that a redefinition of the "product" is needed to include production activities and not just the tangible product.

When setting pricing strategies, marketers will need to consider customers' willingness to pay for products based on their degree of environmentally friendliness (Peattie and Crane 2005). Belz and Schmidt-Riediger (2010) argue that while companies competing on price are less motivated to adopt sustainability marketing strategies, there are companies that manage to keep their prices low and implement sustainability marketing. Examples of these companies are Aldi which manufactures organic food and H&M which produces organic cotton, both simultaneously competing on price. Furthermore, Mitchell et al. (2010) support this view by claiming that even in a highly competitive market, companies that follow socially, economically and environmentally sustainable marketing practices will perform better than their peers over the long run.

Place choices will assess the feasibility of sustainable product distribution channels and production locations (Kotler 2011). As for promotion, marketers will need to evaluate advertising mediums based on their level of sustainability; for example, increasing the percentage of digital advertising versus print to conserve resources such as ink and paper. In addition to that, product labels will need to list more specific information pertaining to sustainability such as the ingredients and carbon foot print. In other words, the main aim of communication should be to clearly inform rather than just influence. (Kotler 2011; Charter et al. 2002; Peattie and Crane 2005).

7.3.2 Changing the Marketing Mix

On the other hand, Peattie and Belz (2010) argue that the marketing mix needs to be reconfigured entirely to address stakeholders other than the consumer. Accord-

ingly, they propose replacing the traditional 4 Ps with a new “4 Cs marketing mix”, comprised of “customer solutions”, “customer cost”, “convenience” and “communication”.

In brief, “customer solutions” is about providing products and services that serve consumers’ needs while concurrently addressing socio-ecological problems (Peattie and Belz 2010). This necessitates that companies look for different ways to improve the competitiveness of their environmentally-friendly products versus traditional unsustainable products (Skowron and Szymoniuk 2014).

“Customer cost” includes in addition to the financial price, the non-financial costs of time and effort it takes to find products (purchase costs), to use the products sustainably (use costs) and to dispose of them (post-use costs). This is defined as the “total customer cost” or “overall costs of ownership” which accounts for all costs incurred throughout the consumption process (Peattie and Belz 2010; Peattie and Crane 2005).

Within the 4 Cs model, “Convenience” replaces “place”. The main difference between both is that whereas place considers only how convenient it is a for a consumer to purchase a product, “convenience” considers the post-purchase process including ease of use and disposal. Finally, “communication” emphasizes that marketers should be open to communicate with all stakeholders including critics instead of attempting to promote selective news about the company’s sustainability practices As a checklist for achieving sustainability marketing, companies need to ensure that their marketing strategy is ecologically orientated, viable in terms of technical feasibility and competitiveness, ethical by promoting greater social justice and equity and is relationship-based (Peattie and Belz 2010).

7.3.3 Other Proposed Ways to Achieve Sustainability

While some believe that sustainability marketing will lead to more efficient and sustainable growth, others argue that the current modes of consumption and production are unsustainable regardless of the marketing techniques pursued (Jones et al. 2008; Peattie and Peattie 2009).

To counter this argument, researchers are encouraging the use of the 4 Ps in a reverse way to reduce consumption, a phenomenon referred to as “demarketing”. Even though traditionally the role of marketing has been to increase demand, there are circumstances and resources which will require marketing to reduce demand and consumption (Kotler 2011; Charter et al. 2002; Peattie and Crane 2005; Gordon et al. 2011), such as the issues of overfishing, energy waste and overeating (Kotler 2011).

Other innovative ways could be pursued towards achieving sustainability. These include changing the way markets function by making material flows more circular than linear through product take-back and recycling (Peattie and Crane 2005) or through product sharing and “pay per use” pricing which can cover everything, from sharing vehicles to renting handbags (Grant 2008). This phenomenon would require marketers to emphasize the benefits consumers gain from product use instead of

product ownership; leading to dematerialization within the economy while providing the same level of consumer benefits (Peattie and Crane 2005).

Seeing as how such changes require a change in consumers' behaviors, it is vital to examine corporate social marketing (Kotler 2011) which focuses on "changing behavior to increase the well-being of individuals and/or societies" (Peattie and Peattie 2009: 3).

7.3.4 Using Social Marketing to Achieve Sustainability

Social marketing increases the number of individuals who act in a beneficial way to society (Kotler and Lee 2005). This type of marketing can be used to persuade customers to transform their lifestyles and consumption patterns into more sustainable ones (Peattie and Peattie 2009). Moreover, social marketing fits well with sustainability because both require voluntary changes in behavior (Gordon et al. 2011; McKenzie-Mohr 2000). In support of this view, Lee and Kotler (2009) discuss how social marketing can be used in the fight against poverty around the world.

On another note, McKenzie-Mohr (2000) claim that while most initiatives encouraging sustainable behavior usually focus on enhancing individuals' knowledge about sustainability issues, these programs have not been successful in altering behavior. The author claims the reason behind this failure is the omission of psychological factors which affect individuals' behavior. Accordingly, designed strategies need to account for psychological factors involved in the decision-making process which can be done via community-based social marketing. Community-based social marketing comprises of four steps: "uncovering barriers to behaviors and then, based upon this information, selecting which behavior to promote; designing a program to overcome the barriers to the selected behavior; piloting the program; and then evaluating it once it is broadly implemented" (McKenzie-Mohr 2000: 546).

7.3.5 Combining Green Marketing, Social Marketing and Critical Marketing

In addition to the previous forms of marketing, another form relevant to the sustainability spectrum is "critical marketing". Critical marketing is defined as "critique of the schema of marketing systems, paradigms, methodologies, and even the existence of marketing itself—influenced by the critical school of thought" (Gordon et al. 2011: 154). Gordon et al. (2011) also argue that critical marketing can be used along with social and green marketing to achieve sustainable marketing. According to this framework, these three marketing concepts are complimentary and interdependent, cannot achieve results solely, and therefore need to be combined to achieve sustainable marketing.

8 An Overview on the Sustainable Development Goals (SDGs)

Sustainable marketing has been set in motion by public concern and pressure regarding problems facing the world today such as environmental deterioration, poverty, hunger, disease and lack of education (Kotler 2011; Jones et al. 2018; Charter et al. 2002). However, for marketing to be able to tackle such sustainable development challenges, marketers must have a practical and applicable definition of sustainable development.

One concrete way of defining sustainable development is in terms of the goals it seeks to accomplish, and the indicators used to measure it (Robert et al. 2005). Between the years 2000 and 2015, The United Nations established the Millennium Development Goals (MDGs), a set of eight global goals that acted as a guide mainly on poverty reduction in developing countries (Jones et al. 2018; Sachs 2012; Le Blanc 2015). Even though the MDGs were described as "having produced the most successful anti-poverty movement in history" (Jones et al. 2018: 2), they failed to integrate several issues such as the environment (Sachs 2012) and unsustainable consumption and production (Le Blanc 2015). Furthermore, the involvement of corporates in the implementation of these goals was inadequate (Jones et al. 2018). By observing the drawbacks of the MDGs, the global community realized the importance of setting goals that cover the trip bottom line which aim to achieve economic development, environmental sustainability and social equity. This led to the establishment of the Sustainable Development Goals (SDGs) by the United Nations in the following years, with a time-range reaching up to 2030 (Sachs 2012; Jones et al. 2018; Scheyvens et al. 2016). The SDGs constitute of 17 goals with 169 associated targets (Jones et al. 2018).

For companies, the motivation to take part in the SDGs plan lies in three main areas. First, the SDGs represent a move towards unlocking the "trapped value" in developing markets which hinders businesses from succeeding there. Second, with rising support for the SDGs, companies will want to position themselves as leaders on the sustainability issue, hence creating competitive pressure on other companies. And the third reason is that these goals cannot be achieved without the participation of the business community due to their financial strength compared to governments (Chakravorti 2015).

9 Research Streams in Tandem with the SDGs

According to Eccles and Karbassi (2018), companies' involvement with the SDGs has been increasing year on year. Furthermore, CSR has come to be considered a main pillar used in achieving sustainability.

Nevertheless, it seems that companies still have not grasped the essence of applying the SDGS in their strategies and that they mistakenly resort to philanthropy

initiatives, confusing it with achieving the SDGS. To counter this trend, companies need to take on a holistic approach to applying the SDGs and integrating them with corporate strategy (Blackwell 2018). Hence, we can make the following propositions:

P1. Companies need to understand how the SDGs fit under the corporate sustainability umbrella, in order to understand that resorting to philanthropy will not always be the ideal way to tackle sustainability issues.

P2. Companies need to understand the breadth of the SDGs to be able to tackle each goal using the right CSR tool or framework (social marketing versus donations versus green marketing, etc.).

It has been suggested that companies can implement one of three strategies to implement the SDGs. The first strategy is to support one of the SDGs that fits well with the businesses' core values and focus on it. The second strategy is to use the SDGs as a framework that guides all the company's actions towards sustainability by giving all the goals an equal weight and attempting to fulfill any goal whenever possible. Finally, the third strategy is to use the goals to collaborate with other entities to work on sustainability projects jointly (Three ways your business can use the sustainable development goals [APA], n.d.; Three ways for businesses to support the Sustainable Development Goals [APA], n.d.). Consequently, we make the following proposition:

P3: Companies do not have to work in isolation to achieve the SDGs. Forming partnerships with other entities can empower all involved entities by sharing distinct knowledge across specializations and industries.

On a similar note, Chakravorti (2017) discusses that during the study of 20 companies in 10 different industries over a one-year period, an important first step for these companies was figuring out where to begin in tackling the SDGs. The 20 companies studied did not try to include all the SDGs in their strategy but instead focused on some. Even though there is a view that focusing on some SDGS might lead others to be neglected, there is a counter view that by trying to achieve all the SDGs, resources are spread too thin and none of the SDGs get enough attention. Convinced by this view, Chakravorti (2017) recommends that firms apply three steps to figure out which SDGs to focus on. The first step is to segment the SDGs in a way that will help the company see clearly which ones are most relevant to it. This could be done for example, by diving the goals into main categories: people, planet, policy principles and the human condition. The second step is to identify the goals which have a good fit with the company's strategy and activities throughout its value chain. The last step is to establish a business case analyzing which of the SDGs selected in the previous step would add the most value to the firm from a commercial perspective. This framework offers businesses an interconnected view of the SDGs.

With this in mind, we can make the following propositions:

P4: Companies must set a business case to ensure that all employees in the organization understand the importance and benefit of working to achieve the SDGs.

P5: Companies need to categorize the SDGs in a way that aligns the goals with the firm's core values and competencies. This will make use of the firm's resources in the most efficient way to help achieve the SDGs.

On the other hand, focusing on specific SDGs might lead to "SDG washing" by having a positive effect on some SDGs while having a negative impact some of the other goals. For example, a company might contribute positively to Goal 7—affordable and clean energy—but at the same time displace communities and prevent them from access to a safe and clean-living environment. By designing a strategy that focuses on one goal while ignoring the rest, companies risk suffering from "tunnel vision" and "myopia". Therefore, companies need to devise a holistic way to work on the SDGs by taking full account of both positive and negative effects on the goals (Eccles and Karbassi 2018). In a report conducted by auditing firm KPMG, it was found that amongst companies that report on the SDGs, usually only positive outcomes are reported while negative outcomes are given less attention or none altogether (Consultancy.uk 2018). Hence, the following propositions are made:

P6: A framework needs to be developed that guides companies on how to have a positive impact on specific SDGs fitting with their corporate strategies, yet at the same time take into consideration all the other SDGs.

P7: Companies need to report on both positive and negative sustainability outcomes of their business activities.

To get corporates to take part in accomplishing the SDGs, the United Nations has set up the initiative "Global Compact", which they claim is the "world's largest corporate sustainability initiative" (Who we are, n.d.). However, reporting on sustainability still differs from company to company which makes it difficult to compare performance over time or across companies. For example, some companies refer to the "Global Compact" guidelines while others refer to the Global Reporting Initiative (GRI) (Jones et al. 2018). This disparity in reporting standards indicates that the monitoring of the SDGs should 'include comprehensive systems evaluations, including procedural indicators' (Scheyvens et al. 2016). According to the report conducted by KPMG in 2018, only 40% of the world's largest 250 companies are reporting on the SDGs (Consultancy.uk 2018). Hence, the following propositions can be made:

P8: Companies need to report on sustainability on a continuous basis (specific time intervals need to be set).

P9: Companies need to have measurable guidelines tied to the SDGs that they can report on in detail.

Under the Global Impact initiative, an SDG matrix has been set up for each industry since each industry needs to tackle the SDGs in a different way (United Nations Global Compact 2015). Academic research has also been conducted into how a specific industry can achieve the SDGs such as IT (Ono et al. 2017), energy (Nilsson et al. 2013) and advertising (Jones et al. 2018). Considering this phenomenon, the following is proposed:

P10: The framework developed for achieving the SDGs should be industry-based. Such a framework should take advantage of each industry's strengths; aiming to have all industries complete each other.

On another note, while businesses claim they are attempting to achieve the triple bottom line, some argue that economic profit is still the main driver about decisions, with a focus on short-term gain rather than a long-term sustainability agenda (Scheyvens et al. 2016). However, as previously mentioned in the literature review,

even in a highly competitive market, companies that follow socially, economically and environmentally sustainable marketing practices will perform better than their peers over the long run (Mitchell et al. 2010). Therefore, the following proposition is made:

P11: Firms need to assess their return on investment from applying the SDGs over the long-term and not in terms of short-term gains.

Moreover, as outlined in the literature review, marketers need to emphasize the benefits consumers gain from product-use instead of product ownership as a means of dematerializing the economy while providing the same level of consumer benefits (Peattie and Crane 2005). This goes against the phenomenon of "planned obsolesce" where manufacturers shorten the life cycle of their products and services on purpose by designing them to break down prematurely after a few uses. This then forces customers to purchase new ones (Skowron and Szymoniuk 2014). Hence the following propositions are made:

P12: Companies need to stop planned obsolesce in production.

P13: Companies need to introduce alternative ways for product use that focus on sharing, pay per use or product take-back, depending on their applicability within each industry.

Another important point to consider is that companies need to revise general progress made on the SDGs which is made public through The Sustainable Development Goals Report on a yearly basis. This report identifies areas that still need more work. For example, in the Sustainable Development Goals Report (2018: 4), it was reported that "after a long decline, world hunger appears to be on the rise again" due to conflict and natural disasters.

P14: Companies need to revise their sustainability agenda based on global progress in achieving the SDGs.

Finally, on an academic level, it has been noted in the literature review that the design of business school curricula teaches future managers that the single purpose of a business is to increase shareholder value (Margolis and Walsh 2003) which counteracts with the sustainability paradigm. Borin and Metcalf (2010) argue that business schools are only just starting to include sustainability practices into business teachings. It is important that employees are onboard when it comes to sustainability issues because producing, selling or promoting sustainable products will only happen when the business culture is oriented towards sustainability (Skowron and Szymoniuk 2014). Accordingly, we make the following proposition:

P15: Companies need to provide training on sustainability to their employees.

10 Conclusion

With the rising public concern and pressure regarding problems facing the world today such as environmental deterioration, poverty, hunger, disease and lack of education (Kotler 2011; Jones et al. 2018; Charter et al. 2002), it is anticipated that sustainable marketing will become the norm just as the internet and ecommerce

did before it (Grant 2008). However, in order to bring about this change willingly and gradually instead of by force, businesses need to make advancements on the sustainable marketing front as quickly as possible (Peattie and Crane 2005).

It has also become apparent that a new corporate philosophy has worked around the dominant social paradigm and emerged over the years (Kinoti 2011; Smith 1994; Lee and Kotler 2009; Dunfee 2002). Businesses are now expected to integrate corporate strategy with sustainability in order to be able to compete on the long-run (Öberseder et al. 2011; Blomqvist and Posner 2004; Porter and Kramer 2006; Becker-Olsen et al. 2006). It is acknowledged that businesses must work towards achieving the triple bottom line (Scheyvens et al. 2016; Hunt 2011; Borin and Metcalf 2010; Charter et al. 2002) and several frameworks have been developed to this end (Porter and Kramer 2006; Lee and Kotler 2009; Podnar and Golob 2007).

While changes will need to be made to the traditional marketing mix in order to achieve sustainability (Peattie and Belz 2010; Peattie and Crane 2005; Kotler 2011; Charter et al. 2002), marketing remains integral to achieving sustainability through the design of sustainable products and services and influencing consumers' product choices in favor of sustainability (Peattie and Belz 2010).

Even though several frameworks have been devised for sustainable marketing such as the one combining green marketing, social marketing and critical marketing (Gordon et al. 2011), a concrete practical framework towards achieving the SDGs is still missing (Blackwell 2018; Chakravorti 2017; Eccles and Karbassi 2018).

The SDGs established by the United Nations act as a guide for companies seeking to implement sustainability practices (Sachs 2012; Jones et al. 2018; Scheyvens et al. 2016), yet the business community still needs to figure out how to tackle the SDGs in the most efficient way (Consultancy.uk 2018; Chakravorti 2017; Jones et al. 2018).

To conclude this paper, several propositions have been put forth, which aim to open the door to further research and exploration into how firms can help in achieving the SDGs. The propositions made are mainly about: the relationship between CSR and the SDGs, how business goals can be aligned with the SDGs, finding a way for businesses to focus on certain SDGs without having a negative impact on the other SDGs, how firms should report on business outcomes in terms of their impact on sustainability, developing innovative ways to counter unsustainable consumption patterns, getting employees onboard the sustainability agenda and being flexible and nimble in adapting to changes in sustainability's constantly evolving facts and figures.

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Part II
European Business Perspectives of Agenda 2030

Social Innovation and Entrepreneurship Supporting the Sustainable Development Goals (SDGs)–Fostering Social Value Creation

Maud H. Schmiedeknecht

1 Introduction: Innovation and Entrepreneurship in the Sustainable Development Goals (SDGs)

At the beginning of the new millennium, the United Nations' member states agreed to eight Millennium Development Goals (MDGs), a framework for driving progress against poverty and other development challenges. They agreed to "spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty" (United Nations, General Assembly 2000, p. 4).

In 2015, the United Nations' member states adopted in the General Assembly a new framework, "Transforming our world: The 2030 Agenda for Sustainable Development" (United Nations, General Assembly 2015). The Sustainable Development Goals (SDGs) set a new global agenda for more inclusive and sustainable development and growth for the next 15 years. Unlike the MDGs, their successors are an integrated set of universal goals, applying to all countries (not only developing countries) and aiming at mobilizing all stakeholders (especially the business community). The 17 Goals are comprehensive in scope, covering poverty eradication, food security, health, access to education, gender parity, water and sanitation, energy, economic growth and job creation, peace, climate change and numerous other aspects of social and environmental sustainability (see Table 1). The SDGs explicitly recognize interlinkages among the goals.

There are various success factors in meeting these ambitious objectives in all countries. The following three factors are mentioned throughout the document: First, the success depends on good governance within each country. Countries have to take ownership of the outcome and mobilize and effectively use domestic resources (United Nations, General Assembly 2015, p. 29). Second, close and continuous

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Table 1 Sustainable Development Goals (United Nations, General Assembly 2015, p. 14)

Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts[a]
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

[a] Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change

collaboration, e.g. through multi-stakeholder partnerships, are needed to mobilize and share knowledge as well as technology and financial resources, and ensure shared accountability (p. 27). Third, private business activities and investments are needed to solve sustainable development challenges (p. 29).

International initiatives and organizations such as the corporate sustainability initiative UN Global Compact, the Global Reporting Initiative (GRI) and the CEO-led organization World Business Council for Sustainable Development (WBCSD) also recognize the important role of private businesses to take actions that advance societal goals and give guidance for business action on the SDGs (GRI et al. 2015).

Private businesses offer products and services, create jobs which generate incomes, build infrastructure and support technology transfer through their operations, global value chains and investments–just to name a few activities. These

activities are often the root cause of environmental and social problems. However, increasingly corporations are driving sustainable development with their innovative products, services and business models. As Nidumolu and his colleagues observed: "[S]mart companies now treat sustainability as innovation's new frontier." (Nidumolu et al. 2009, p. 4).

The United Nations in the SDGs explicitly note the importance of creativity and innovation to make our society more sustainable:

> 67. Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call upon all businesses to apply their creativity and innovation to solving sustainable development challenges. (United Nations, General Assembly 2015, p. 29)

How can business actors foster creativity and innovation? In the last years, discussions on innovation have also led attention to the closely related topic entrepreneurship. Entrepreneurship is seen as enabler, driver and empowering tool for sustainable development. Both terms—innovation and entrepreneurship—are explicitly mentioned either directly in one of the Sustainable Development Goals or in their targets see Table 2.

The emphasis in the context of the SDGs lies on innovations enriched with a societal goal. These kind of innovation are also known as social innovation. In the following chapters, the concept of social innovation and social entrepreneurship will be discussed.

Table 2 Innovation and entrepreneurship in the SDGs (United Nations, General Assembly 2015)[a]

Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (p. 17)
Target 4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and *entrepreneurship*
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (p. 19)
Target 8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and *innovation*, including through a focus on high-value added and labour-intensive sectors (p. 19)
Target 8.3	Promote development-oriented policies that support productive activities, decent job creation, *entrepreneurship*, creativity and *innovation*, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster *innovation* (p. 25)

(continued)

Table 2 (continued)

Target 9.5	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging *innovation* and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending
Target 9.b	Support domestic technology development, research and *innovation* in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities
Goal 17	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development (p. 26)
Target 17.6	Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and *innovation* and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism
Target 17.8	Fully operationalize the technology bank and science, technology and *innovation* capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology

[a]Highlighting terms “innovation” and “entrepreneurship” in italic has been added

2 Private Businesses as Drivers and Initiators for (Social) Innovation

Innovation is one key for business success and sustainable value creation. Based on the work of Schumpeter, innovation can focus on different types of innovation, scope of change and how it was created (Osburg 2013). Typically, four types of innovations are describes: product innovation, service innovation, process innovation (i.e. efficient production processes with less resources and emissions) and market innovation (i.e. creating new markets for social solutions). Their scope of change can vary between radical or so called disruptive innovation, incremental innovation and reapplied innovations. Innovations can be invented in-house (closed innovation) or the knowledge from inside and outside of the organization can be used to accelerate innovation (open innovation).

The concept of social innovation has increasingly gained attention amongst practitioners (see conferences such as Social Innovation Summit 2018), in academica (publications such as Franz et al. 2012; Moulaert et al. 2013; Osburg and Schmidpeter 2013) and politics. The European Union (EU) has formulated a social innovation strategy as part of the larger EU 2020 Innovation Union framework. According to the European Commission Bureau of European Policy Advisors social innovations “are innovations that are social in both their ends and their means. Specifically, […] social innovations [are] new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social rela-

tionships or collaborations. They are innovations that are not only good for society but also enhance society's capacity to act" (European Commission 2011, p. 9). The focus lies on the results and the importance on collaboration between stakeholders.

In Table 3 selected definitions on (corporate) social innovations are listed.

All these definitions have in common, that social innovations have an outcome to increase well-being. What kind of outcome is often not specified. Types of solutions can be for instance new products, services, processes and/or business models, such as microfinance, micro-insurance or off-grid energy solutions. It can also be a social

Table 3 (Corporate) social innovation definitions[a]

INSEAD, Social Innovation Centre	2018	"It is the introduction and development of new business models, market-based mechanisms that deliver sustainable economic, environmental and social prosperity."
Stanford Graduate School of Business, Center for Social Innovation	2018	"Social innovation is the process of developing and deploying effective solutions to challenging and often systemic social and environmental issues in support of social progress."
Russo and Mueller	2013	"(…) we consider a social innovation to be an implemented solution that aims to create value for society and can be implemented in many different formats and by many different actors." (p. 171) "(…) effective solutions that create value for society, *regardless* of the initiator and the format of the solution, (…)" (p. 172)
Franz et al.	2012	"(…) social innovation consists in *new social practices with social ends and social means*. A slightly longer but more precise concept might lead to *new, more effective and/or more efficient social practices with social ends and social means*." (p. 6)
European Commission	2011	"Social innovations are innovations that are social in both their ends and their means. Specifically, […] social innovations [are] new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society's capacity to act." (p. 9)

(continued)

Table 3 (continued)

Murray et al.	2010	"(…) we define social innovations as new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations. In other words, they are innovations that are both good for society *and* enhance society's capacity to act." (p. 3)
Phills et al.	2008	"*A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals*. A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them. Indeed, many of the best recognized social innovations, such as microfinance, are combinations of a number of these elements." (p. 39)
Mulgan	2006	"Social innovation refers innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social." (p. 146)

[a]Emphasis such as bold and italic is taken from the original

movement such as urban gardening or suggestions to change the welfare system like the unconditional basic income (Russo and Mueller 2013).

Some of these definitions underline both, the outcome and the process. Mulgan (2006) describes four stages in the process of social innovation: (1) generating ideas by understanding needs and identifying potential solutions, (2) taking one promising idea and testing it in practice, e.g. through prototyping and piloting, (3) assessing, scaling up, and diffusing the idea, e.g. by finding organizations who support have the ability and resources to scale up, and (4) continuously learning and adapting the idea. Entrepreneurial principles and (process) methods can be applied to find new solutions for societal problems. Murray et al. (2010) mention the importance of participation and involvement of the interests of various stakeholders such as producers, suppliers, and users for a successful innovation process.

The drivers and initiators for social innovations can be any organization or person such as for-profit and non-for profit organizations, governmental or societal organizations or entrepreneurs. (Social) entrepreneurs as well as intrapreneurs—persons,

teams and departments within corporations applying entrepreneurial methods—are seen as the main actors driving social change through innovation (Saul 2011).

3 Social Entrepreneurs Driving Social Change

The field of research on social entrepreneurs and social entrepreneurship has recently emerged amongst practitioners and academics (Danko et al. 2011; Cukier et al. 2011; Kraus et al. 2014). International organizations such as Ashoka, the Schwab Foundation for Social Entrepreneurship, and the Skoll Foundation are funding and catalyzing social enterprises. Their focus lies on the impact and innovation potential of social entrepreneurs. Ashoka (2018) for instance defines social entrepreneurs as "individuals with innovative solutions to society's most pressing social, cultural, and environmental challenges. They are ambitious and persistent – tackling major issues and offering new ideas for systems-level change.".

Same as with the definitions on social innovation, various definitions of concept of social entrepreneurship and social entrepreneurs exist. The majority of authors mention in their definitions the purpose of creating social value, some authors additionally stress the social transformational impact of the solutions and/or some authors also emphasis the personal characteristics of social entrepreneurs such as the person's social mission and ability in identifying opportunities to create social value (see Table 4).

The organizational form, in which the social entrepreneur acts, can vary from mission-driven for-profit organizations to non-profit organizations. Researchers criticize that connections and boundaries of research field of social entrepreneurship with other fields such as entrepreneurship and social movements remain unclear (Mair and Martí 2006; Dacin et al. 2011; Abu-Saifan 2012).

Considering the ambitious goals and targets of the SDGs, it is crucial that all countries foster and support social value creation of any persons, organizations or

Table 4 Definitions and descriptions of social entrepreneurship and social entrepreneurs[a]

Focus on creation of social value…		
Dacin et al.	2011	"(…) the primary mission of the social entrepreneur being one of creating social value by providing solutions to social problems (…)" (p. 1204)
Brouard and Larivet	2010	"(…) social entrepreneurship as a concept which represents a variety of activities and processes to create and sustain social value by using more entrepreneurial and innovative approaches and constrained by the external environment." (p. 50)

(continued)

Table 4 (continued)

Zahra et al.	2009	"(…) social entrepreneurship "encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner"." (p. 519)
Martin and Osberg	2007	"(…) the social entrepreneur aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large." (pp. 34–35)
Austin et al.	2006	„(…) *social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors*." (p. 2)
Weerawardena and Sullivan Mort	2006	"Social entrepreneurship strives to achieve social value creation and this requires the display of innovativeness, proactiveness and risk management behavior. This behavior is constrained by the desire to achieve the social mission and to maintain the sustainability of the existing organization. In doing so they are responsive to and constrained by environmental dynamics. They continuously interact with a turbulent and dynamic environment that forces them to pursue sustainability, often within the context of the relative resource poverty of the organization." (p. 32)
Sullivan Mort et al.	2003	"The social entrepreneur then is one who is socially entrepreneurially virtuous, and whose mission is to create social value for the social organisation with which they are associated." (p. 83)
… and their social transformational impact …		
Ashoka	2018	"(…) individuals with innovative solutions to society's most pressing social, cultural, and environmental challenges. They are ambitious and persistent–tackling major issues and offering new ideas for systems-level change."

(continued)

Table 4 (continued)

Skoll Foundation	2018	"(…) these extraordinary leaders and their organizations are creating innovative models to drive equilibrium change–the disruption of social, economic, and political forces that enable inequality, injustice, and other thorny social and environmental problems to persist. By disrupting the status quo, social entrepreneurs open up the space for solutions to take root, scale, and become the foundation of profound social transformation and a more peaceful and prosperous world. Social entrepreneurs both take direct action and seek to transform the existing systems. They seek to go beyond better, to bring about a transformed, stable new system that is fundamentally different than the world that preceded it."
Schwab Foundation for Social Entrepreneurship	2018	"A social entrepreneur is a leader or pragmatic visionary who: • Achieves large scale, systemic and sustainable social change through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a combination of these • Focuses first and foremost on the social and/or ecological value creation and tries to optimize the financial value creation • Innovates by finding a new product, a new service, or a new approach to a social problem • Continuously refines and adapts approach in response to feedback • Combines the characteristics (…)"
Schaltegger et al.	2016	"(…) *sustainable entrepreneurship is a sustainability mission-driven process of solving environmental and social problems of unsustainability by means of the exploration and exploitation of market opportunities created with innovative business models*." (p. 268)
Alvord et al.	2004	"(…) social entrepreneurship that creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources and social arrangements required for sustainable social transformations." (p. 262)

(continued)

Table 4 (continued)

…and personal characteristics of social entrepreneur		
Bikse et al.	2015	"(…) a social entrepreneur is a person with a well-developed entrepreneurial and social competence in a much broader sense. It is a person with a rich imagination and wide vision, who is goal oriented and loyal to an idea. His/her mission is the creation of social values, distinguishing new, innovative possibilities for the implementation of a social mission. Energetic, enthusiastic and determined to act tenaciously, confidently and with responsibility in order to achieve final results. The profit gained serves as a means for the realisation of social aims." (p. 473)
Abu-Saifan	2012	"*The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable*." (p. 25)
Brouard and Larivet	2010	"(…) social entrepreneurs as any individuals who with their entrepreneurial spirit and personality will act as change agents and leaders to tackle social problems by recognizing new opportunities and finding innovative solutions, and are more concerned with creating social value than financial value" (p. 45)
Bornstein	2004	"It sees them as *transformative forces*: people with new ideas to address major problems who are relentless in the pursuit of their visions, people who simply will not take 'no' for an answer, who will not give up until they have spread their ideas as far as they possibly can." (p. 1)

(continued)

Table 4 (continued)

Dees and Economy (first version see Dees 1998/2001)	2001	"Social entrepreneurs act as change agents in the social sector by behaving in the following way: • *Adopting a mission to create and sustain social value. (…)* • *Recognizing and relentlessly pursuing new opportunities to serve that mission. (…)* • *Engaging in a process of continuous innovation, adaptation, and learning. (…)* • *Acting boldly without being limited by resources currently in hand. (…)* • *Exhibiting a heightened sense of accountability to the constituencies served for the outcomes created. (…)*" (p. 5)
Thompson et al.	2000	"(…) social entrepreneurs, people who realise where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money and premises) and use these to "make a difference"." (p. 328)
Leadbeater	1997	"Social entrepreneurs are: • **entrepreneurial**: they take under-utilised, discarded resources and spot ways of using them to satisfy unmet needs • **innovative**: they create new services and products, new ways of dealing with problems, often by bringing together approaches that have traditionally been kept separate • **transformatory**: they transform the institutions they are in charge of, taking moribund organisations and turning them into dynamic creative ones. Most importantly, they can transform the neighbourhoods and communities they serve by opening up possibilities for self-development. Successful social entrepreneurs are also: leaders, storytellers, people managers, visionary opportunists and alliance builders." (p. 53)

[a]Emphasis such as bold and italic is taken from the original

networks such as social entrepreneurs, mission-driven for-profit organizations and non-for-profit organizations or multi-stakeholder partnerships. Therefore, it is necessary to have a profound understanding of the nature of social value creation. How can social value be created? How can entrepreneurial mechanisms be employed to foster social innovations and sustain social value? How can social value creation be assessed and measured (Kroeger and Weber 2015)?

4 Conclusion

The SDGs give an overview of the world's development challenges of the present and the coming decades and set a new global agenda for more inclusive and sustainable development and growth. These challenges also represent opportunities for social innovations and the creation of scalable and financially self-sustaining solutions by businesses and (social) entrepreneurs (Torres-Rahman et al. 2015). Examples of solutions to social and ecological challenges are for instance providing low-income communities with access to affordable, quality products and services in areas such as water and sanitation, energy, health, education and finance. New business models can meet customer demands by providing solutions and thereby create opportunities for low-income people as employees, suppliers and distributors.

To achieve the SDGs, projects have yet to scale or achieve systemic change (Nelson et al. 2015). This requires that businesses continuously design or reshape their business models towards the concept of social value. In this context, multi-stakeholder partnerships between for-profit organizations, non-profit organizations, (social) entrepreneurs, governmental organizations, financial institutions and other actors have still a huge potential.

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Reflections on 'True' Business Sustainability: Challenging Definitions, Recognizing Couplings and Developing Intelligence

Lars Moratis and Frans Melissen

1 Introduction

Considering that current patterns of economic and social development consistently compromise the natural environment (WWF 2016), the actual sustainability of business is increasingly being scrutinized. Many scholars have investigated, reviewed, and criticized conceptualizations of business sustainability (BST) and have developed their own interpretations of this 'essentially-contested concept' (Okoye 2009) in order to pinpoint the essence of business sustainability and its relationship to the actual state of our planet (e.g., Dahlsrud 2008; Matten and Moon 2008; Porter and Kramer 2011; Visser 2011). Recently, the question what constitutes 'true' business sustainability has been addressed by scholars Dyllick and Muff (2016). This article is a timely and commendable attempt to explain the apparent absence of a coupling between corporate sustainability initiatives and the state of the planet (called the 'big disconnect' by the authors) and to develop a typology about business sustainability. It brings together, reflects on, and conceptualizes contributions from contemporary business and management literature about the ways in which business may be a force in spurring sustainable development (SD). In doing so, the authors aim to distinguish between different generations of BST (with BST 3.0 or 'true BST' being the pinnacle) in order to shed light on two related questions that are relevant from both an academic and practitioner perspective: "How can business make an effective contribution to resolving the sustainability challenges we are collectively facing?" and "When is business truly sustainable?" (Dyllick and Muff 2016: 156). As such, it

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aims to contribute to the discourse on business sustainability and inevitably invites responses to further develop this discourse.

This paper aims to respond both critically and constructively to Dyllick and Muff's article by addressing three points. First, we point at the authors' somewhat confusing conception of what actually comprises 'true' BST or BST 3.0 and focus on the issue of business case approaches towards sustainability. Second, we comment and elaborate on their explicit choice not to address the underlying economic model and the model of consumer behavior since these are in our opinion indispensable in developing an understanding of BST 3.0. In addition to their two forms of decoupling underlying the 'big disconnect' [decoupling of the micro-level and macro-level analyses and of the performance measures used in the relations between business and society (p. 159)], we identify three forms of coupling (means-end coupling in the context of business case approaches towards sustainability, intent-effect coupling in the context of the underlying economic model, and the coupling between proximate and ultimate behavioral goals in the context of the underlying consumer model) that in our opinion also account for this phenomenon. Third, and concluding, we suggest three types of sustainability intelligence that, in our view, business needs to develop to truly become a force for SD.

Our aim with this response is not so much to identify shortcomings or inconsistencies in the authors' article, but primarily to attempt to add to their firm-centered conceptualization of the business-society interface in a constructive way, to pose some additional challenging questions in order to further thinking on BST and stimulate further discourse on the concept, and to make a theoretical contribution with respect to coupling mechanisms in the realm of BST. As such, we hope to engage in "a discussion on the meaning and types of BST" (p. 169) that the authors hope to engender with their article.

2 What Is 'True'? A Critical View

Dyllick and Muff have taken up the formidable challenge of establishing what 'true' BST or BST 3.0 is, a task that has both academic and practical relevance, particularly because it may help determine the status quo of BST and assist in benchmarking progress that has been made in the relations between business and society in an SD context. As the authors recognize, many scholars and practitioners alike have tried to uncover the essence of BST. Although many concurrent interpretations exist, there does seem to be some common ground when defining BST, including an environmental, a social, an economic, a stakeholder, and a voluntariness dimension (Dahlsrud 2008). Also, coupling policy and practice, or aligning BST claims with BST action, can be seen as a prerequisite for speaking of 'true' BST (cf. Bowen and Aragon-Correa 2014; Lyon and Montgomery 2015; also see Bromley and Powell 2012).

Against the background of BST being a cluster and umbrella concept (Matten and Moon 2008) and an essentially contested concept (Okoye 2009), arriving at a conceptualization of 'true' BST may however also be a rather elusive and perhaps

even undesirable task. Okoye (2009) has posited that it may not be necessary to come to such a conceptualization of ‘true’ BST. Arguing for the need for a common reference, or ‘exemplar’ (cf. Gallie 1956), she writes: “in light of changing circumstances we can re-visit old arguments and update or re-evaluate our basis and assumptions” of BST as this may allow for “the flexibility that is necessary to address the various issues which arise within society on how best to relate with business” (p. 624). From our experience in corporate practice, we conclude that firms both look for clear benchmarks (both in terms of best practices and definitions of BST) when embarking on BST and defining idiosyncratic approaches towards it. From that perspective, Dyllick and Muff’s objective may both shed academic light on ‘true’ BST and clarify what is ‘true’ BST to benefit business endeavours in an SD context.

Their definition of BST 3.0 strikes as somewhat confusing, though. Initially, Dyllick and Muff state that “[t]ruly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet. A BST 3.0 firm looks first at the external environment within which it operates and then asks itself what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal” (pp. 165–166). The authors then proceed with stating that “a BST 3.0 firm translates sustainability challenges into business opportunities making ‘business sense’ of societal and environmental issues” (p. 166). According to them, their conception aligns with the view of the late Peter Drucker holding that “[e]very single social and global issue of our day is a business opportunity in disguise” (as cited in Cooperrider 2008). In this light, especially with the authors contrasting their conception of BST 3.0 with Porter and Kramer’s concept of creating shared value (CSV), one may seriously question what the difference is between BST 3.0 and CSV. This seems a legitimate issue as Dyllick and Muff seem to have possible tensions in mind between business and society when they write that “[b]ecoming a truly sustainable business clearly is a challenge for companies, particularly for commercial business” and ask a question that Porter & Kramer have sought to answer with CSV: “Is it indeed realistic to expect commercially oriented corporations to focus their strategies on solving sustainability challenges and creating value for the common good?” (p. 170).

Indeed, the phrasings on translating sustainability into business opportunities and making business sense of sustainability seem to be positioned right in the heart of business case thinking around BST that has dominated modern discourse. To us, as to, for instance, Crane et al. (2014), such a conception does not escape the straitjacket of being obsessed by achieving economic value on the firm-level through sustainability efforts. As such, it is doubtful whether the authors’ idea of BST 3.0 adds to existing discourse and to what extent BST 3.0 is truly conceptually different from BST 2.0.

Interestingly, the questions that Dyllick and Muff pose directly after their definition of BST 3.0 (p. 166) may better reflect their ideas of what comprises ‘true’ sustainability as these are not constrained by economic performance indicators on the firm-level, but build on the possibilities that business has, for instance in their resource wealth, operations, governance structures, and competencies, to contribute to ecological quality and social justice. The authors hence seem to be at odds with

their own conception of BST 3.0, an observation that is augmented by their belief that "[s]ustainability demands an integration of social and environmental issues with economic issues" (p. 162). It is not entirely clear what Dyllick and Muff mean here. Do they imply that this integration of economic issues is an essential component in conceptually interpreting sustainability? Or does it reflect a more pragmatic stance, for instance informed by experience in practice, that sustainability in the sense of achieving ecological quality and social justice cannot be achieved without making it relevant for business or placing an economic value on it? In our conception, sustainability does not include economic or business aspects per se, but focuses on the intrinsic values of ecological quality and social justice, and not their relationship with or dependence on economic or business value (cf. Destatte 2010). An advantage of such an approach towards sustainability, in our opinion, is that it allows for a better reflection on the existing, possible, and desired relationships between the higher-order values of ecological quality and social justice on the hand and business and economic value on the other.

This brings us to the second point of our examination of Dyllick and Muff's article.

3 The Morality of Markets and Business Cases

While recognizing their interrelatedness to the shifts required to making BST 3.0 a reality, Dyllick and Muff explicitly mention at the outset of their article that they do "not address the required changes in the underlying economic model or the model of consumer behavior" (p. 157). We think that in order to come to an understanding of what 'true' sustainability comprises, it is actually essential to include reflections on both models.

3.1 The Underlying Economic Model

As the market mechanism is the most powerful coordinating mechanism in modern society and the narrative of economic prosperity has been dominant in the way many people make sense of reality, they have inevitably penetrated discourse in many academic fields and realms of society, notably that of BST. Carroll and Shabana (2010) observed that the business case approach to BST is the most prevalent in academic literature and Porter and Kramer's CSV concept has proven to be popular in business practice, where it has the status of being common vocabulary. Cochran (2007) heralded the business case approach by proclaiming it to be the most important intellectual breakthrough regarding modern conceptions of BST.

However, there is reason to be critical on this point since business case approaches towards BST suggest an innate coupling (similar to the one suggested by the phrasing that sustainability also demands the integration of economic issues) between environ-

mental and social values on the one hand and economic values on the other. Under the guise of an integration that juxtaposes these values, business case approaches essentially point at a means-end coupling in which addressing ecological and social issues is a means towards the end of achieving economic business performance. So while business case approaches may be viewed to offer a pragmatic solution to the disconnect between sustainability efforts by business and SD, they suffer from a fundamental flaw in thinking that puts economic value above all other (cf. Moratis 2014). In a way, an integration of economic issues into the concept of sustainability is not that much different from what Dyllick and Muff call the Friedmanian fallacy (p. 162) when one takes into account that the ‘rules of the game’, which business should respect and operate within according to Friedman, have changed in the sense that the business environment puts more emphasis on ecological and social issues. Achieving ‘economically-constrained sustainability’ is troublesome since many analysts and observers agree that the dominance of economic reasoning is a root cause of an era of unsustainability. In retrospect, one may even question to what extent the pragmatic solutions that business case approaches have offered have truly benefited sustainability: despite the uptake and encouragement of such approaches worldwide by firms, governments, and NGOs alike, the world, at best, has witnessed only limited progress in SD, particularly on the social dimension and issues such as poverty and human well-being (UNDP 2015).

Obviously, business case approaches may also be criticized from other points of view. They may encourage opportunistic cherry-picking of societal issues by firms, leave institutional barriers for spurring SD intact, and risk driving out intrinsic motivation for sustainability (Nijhof and Jeurissen 2010). While it is beyond the scope of this response to elaborate on this, we would like to add here to these criticisms that thinking in terms of the business case does not seem to be a persuasive argument for taking corporate sustainability efforts and hence does not provide the solace to overcome the ‘big disconnect’ (p. 156; cf. Visser 2011). As all of us in the field of sustainability are inconveniently aware of, the reason why so many businesses are not actively involved in BST is that there is an existing, and most of the time better or at least sufficient, business case for them to *not* address sustainability issues. Relevant in this regard are the findings of a recent report by Bertels et al. (2016) on the reasons why CEOs are not prioritizing sustainability: CEOs indicate that they have insufficient knowledge about linking environmental and social issues to the business, were unable to establish why sustainability mattered to their business, and—when they did have an understanding of the link—chose to focus on competing priorities. Clearly, as the report shows, sustainability sensemaking processes within business take place within the business case frame of reference. The narrative of modern-day sustainability hence is firmly embedded in the search for economic value, leading to the question to what extent BST and SD *can* realistically be connected at all. When reflecting on business case approaches towards sustainability, it should strike one as rather odd that a solution for SD is being sought through focusing on exactly the same type of practices and reasoning that have compromised SD in the first place.

In our view, therefore, sustainability efforts should actually not be constrained by a positive answer to the question whether there is a business case to be found

in them. In fact, abandoning the application of a business case way of reasoning to sustainability may reveal what comprises ‘true’ BST: a meaningful contribution by business to sustainable development that is neither induced nor limited by a business case perspective.

The recently launched Sustainable Development Goals (SDGs) can serve as a case in point. The SDGs may be considered as a global sustainability agenda since they highlight many of the most pressing sustainability challenges that the world is currently facing. While most of the SDGs unmistakably apply to the realm of many large and influential multinational enterprises and the issue of climate change is arguably relevant for every business activity, performing a materiality analysis of the SDGs for the lion’s share of the world’s companies would undeniably result in most of the SDGs being ‘not material’, not even in the long-term. And despite the fact that entrepreneurial minds will always be able to find business opportunities in such goals in one way or another, it is quite hard to imagine broad-based business cases in the SDGs. From a business perspective, it would then be advisable to not focus on these goals and thus neglect pivotal mechanisms for SD. At the same time, it would be nonsensical to deny the importance of the SDGs—the goals represent values that most people would say are fundamental. In other words, the fact that SDGs may not represent material issues for business nor contain apparent business cases for most companies is no reason to dismiss them. In fact, the SDGs serve as an illustration of SD issues that individual businesses may not have a substantial impact on or be able to profit from economically, but can still contribute to in ways suggested by the questions raised by Dyllick and Muff in the context of BST 3.0 (p. 166) and beyond the realm of (current) business processes (including philanthropic activities by business). In fact, we think that there is a moral obligation for businesses to contribute to the SDGs. It should be added that even if there were robust and widespread business cases to be found in the SDGs, this would not say anything about the values many people around the world share and the ‘global’ consensus that was reached on the goals. In a sense, then, it may just be a ‘fringe benefit’ that business cases can be found in the SDGs by some companies, since this would ease the efforts of letting them and other businesses, that would not get involved in this agenda otherwise, embrace them.

From this perspective, challenging questions arise around SD for commercially oriented corporations, including: What if business opportunities just aren’t there? What if the business case for not engaging in BST is better or more convenient than for engaging in BST? Why should there be business opportunities in SD anyway? What is it that our pre-occupation with the business case in an SD context surfaces time and again, despite the considerable level of public distrust in companies within an SD context? To what extent do we really think that the commons should be governed by a category of organizations of which most seem to uphold economic principles above and beyond all else?

The case of ISO 26000, which is also used by Dyllick and Muff for illustrative purposes, is interesting in this light, because, while the standard does mention possible business benefits of addressing sustainability (social responsibility), its definition of sustainability does not include or refer to business case elements, but focuses on

the impacts of companies. Moratis (2016) consequently concluded that ISO 26000 breaks with the business case paradigm and takes a moral turn towards sustainability. In addition, the ISO 26000 standard illustrates our previous point on the SDGs since it urges businesses to focus their sustainability efforts on those issues which they have a significant impact on.

Underlying this argumentation is the subject of the morality of markets. In recent years, many economic philosophers have emphasized that markets are not value neutral (e.g., Sedlacek 2011), but also that markets tend to erode values (e.g., Sandel 2012) and that markets crowd out virtues (Graafland 2009). What this tells us, is that the market as society's dominant coordination mechanism may thus not be a force for sustainable change, but a mechanism that is its main constraint or even enemy. While one's position in this matter also depends on one's political beliefs, in any case, this suggests markets are not neutral to the values underlying SD.

In addition to the earlier mentioned policy-practice coupling and means-end coupling, this points at another form of coupling that is relevant from the perspective of 'true' BST: the coupling between intent and effect. Against the background of value-biased markets, BST efforts may have perverted results, even under the condition of aligned policy and practice, as the effects of firms' actions may be affected by the mere functioning of markets (cf. Liket 2014). By implication, for 'true' BST to occur, its intent should not be guided by business case approaches as this would be the wrong starting point to ensure intact outcomes in ecological and social dimensions. If a firm's sustainability efforts turn out—thus, unintendedly—to deliver economic benefits, then there is nothing wrong with it, we would say. The question here is: What is worth intent when it is 'washed' by market mechanisms that erode or crowd-out values? To be totally clear on this, it is our view that it is not that business should not be allowed to profit from their sustainability efforts—we question whether this economic rationale should be the starting point.

'True' business sustainability, in our view, should actually be rooted in the ambition to change the system it is part of instead of settling for compliance with or surrendering to market mechanisms. In other words, moving towards BST 3.0 may require a new social contract between business and society in which sustainability is a non-negotiable item. In the old social contract, the relationship between business and society is primarily defined through the functioning of markets as a transaction; a new contract should be defined by letting this relationship escape the economic orthodoxy of markets and become social again (cf. Painter-Morland 2013). While Dyllick and Muff seem to acknowledge this when referring to changing the rules of the game (p. 167), it may be more suitable from a BST 3.0 perspective to change the game altogether. In our view, there is a substantial difference between the examples given by the authors of adjusting "accounting rules and standards for disclosing and internalizing sustainability risks and impacts" and "lobbying for taxes on resource consumption" (ibid.) on the one hand and, for instance, producing innovative products of which the consumption actually contributes to sustainable development, adopting cooperative structures that radically democratize ownership, helping to develop citizen-led sustainability initiatives, and engaging in sustainability efforts for ethical rather than economic reasons on the other.

3.2 *The Model of Consumer Behavior*

Under the assumption that consumption is a key factor in (un)sustainability (e.g., Schaefer and Crane 2005) and the relatively low percentages of sustainable consumption, understanding consumer behavior is essential when interpreting BST 3.0. Only then can companies develop consumer behavior into a lever for SD. From an evolutionary psychology perspective, it has been argued that ingrained, ancestral traits of human behavior are barriers for sustainability since they are at odds with our modern environment (cf. Penn 2003; Gifford 2011). Griskevicius et al. (2012) pose that "many modern environmental and social problems are caused or exacerbated by five evolutionary tendencies: (1) propensity for genetic self-interest, (2) motivation for relative rather than absolute status, (3) proclivity to unconsciously copy others, (4) predisposition to be shortsighted, and (5) proneness to disregard impalpable concerns" (pp. 115–116). While the functioning of markets and human psychology obviously relate to each other, changing the latter may prove to be even more difficult than the former, if not outright impossible. In the context of BST, and particularly BST 3.0, this raises additional challenging questions: Is it possible for businesses to truly contribute to sustainability within a consumer model driven by these factors? To what extent, if at all, should we rely on the voluntary act of consuming in our collective ambition towards sustainability? Would it possible to view these barriers as behavioral mechanisms that can be used as levers towards sustainability rather than letting sustainability be compromised by them?

According to Griskevicius et al. (2012) there are possibilities to work with these characteristics of the human psychology rather than bringing it to the table as an excuse for not producing sustainable products. They argue that "influence strategies [towards social change] might be more effective when they are matched to the evolutionary mechanism driving the problematic behavior" (p. 117), so that "marketers, social entrepreneurs, and policy makers can harness and redirect people's evolutionary tendencies to lessen or even eradicate environmental problems" (p. 125). Contributing to sustainability through consumption hence is possible if firms manage to develop strategies to harness the evolutionary 'condition humaine' of consumers. An increasingly popular and promising strategy in this regard is the so-called nudging, which is defined as "any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives" (Thaler and Sunstein 2008: 6). Nudging in the context of for instance encouraging green mobility and promoting healthy food choices may include strategies of altering availability, changing default choices, and priming through making choices more mentally available. Whereas marketers have deployed similar strategies for decades in order to increase sales of whatever (unsustainable) products, in the light of BST 3.0 firms could develop such strategies to increase ecological quality and social justice by putting people's health and well-being first.

In addition to the two other forms of coupling already identified in this paper, this perspective on the consumer model thus reveals a third coupling that is relevant in a BST 3.0 context, namely that of proximate and ultimate behavioral goals (cf. Kenrick

et al. 2010; Tinbergen 1963). It should be noted that this coupling exists against an automatic, unconscious background when looking from a consumer perspective and against a purposively, conscious background from a business perspective.

4 Concluding: Towards Developing Sustainability Intelligence for BST 3.0

This response has sought to critically examine the definition of BST 3.0, or 'true' business sustainability, as proposed by Dyllick and Muff (2016) in a recent paper and concluded that the authors' interpretation may be somewhat confusing. In doing so, we have highlighted the need for BST 3.0 to escape the straitjacket of business case approaches towards the role of business in society and have included some reflections on the models of the market and the consumer model, which Dyllick and Muff have explicitly left out of their analysis, but which are in our opinion necessary to include to come to a better understanding of what BST 3.0 may comprise. Also, we identified three forms of coupling in addition to the common coupling of policy-practice, namely means-end coupling in the context of business case approaches towards sustainability, intent-effect coupling in the context of the underlying economic model, and proximate-ultimate coupling in the context of the underlying consumer model, to add to the two forms of decoupling that the authors bring forth for explaining the 'big disconnect' between BST and the state of the planet.

Finally, to add a novel perspective to the discussion that the authors hope to engender with their typology of BST and interpretation of BST 3.0, we want to propose three types of sustainability intelligence that we think are necessary for business to develop 'true' BST: naive, native, and narrative intelligence (cf. Melissen and Moratis 2016, 2017).

First, to achieve BST 3.0, firms need naive intelligence to escape the pathway formed by current and generally applied, mostly unsustainable, business models and envision new, truly sustainable value creation processes that do not yet exist or have not yet been applied. In our view, business should embrace rather than reject a certain level of naivety in their strategic and organizational decision-making to avoid the sort of systemic and cognitive lock-in created by operating in (market) environments characterized by taken-for-granted elements, such as the continuous pursuit of maximizing profits, ever larger market shares, and providing the highest possible return on investment for shareholders (cf. Dyllick and Muff's concepts of BST 1.0 and 2.0). Naivety then includes a sort of freshness, an openness, and an intuitiveness towards ideas that may shape a future that can be, rather than a future that is simply a replication, projection, or extrapolation of the past.

Second, native intelligence relates to the role of evolutionary psychological processes that underlie models of consumer behavior. BST 3.0 in our view requires firms to understand the evolutionary roots of human behaviour and their role in day-to-day decision-making. Recognizing this 'nativity' may enable firms to work *with* evolu-

tionary processes rather than be constrained by them. BST 3.0 firms realize that they can promote sustainable consumer behaviour by understanding human behaviour. Native intelligence then means that firms not only are aware of the psychological limitations of humans in developing sustainable behaviour, but also have the ability to turn these limitations into opportunities by learning to work with them. It should be noted that possessing native intelligence would also enable and encourage firms to reflect on their own behaviours and assumptions behind it from this perspective.

Third, narrative intelligence reflects the fact that people are 'narrative animals' and thus acknowledges an important aspect of human psychology in the progress of thought (Mateas and Sengers 1999). However, narrative intelligence is more than simply being open and able to translate and transfer experience into and through stories respectively. As Denning writes in his book 'The secret language of leadership', narrative intelligence "reflects a recognition that the narrative aspects of the world matter because human goals matter, and narratives encapsulate human goals" (Denning 2007: 45). Narrative intelligence, in our conception, is fundamentally about sensemaking, defined as an interpretive process in which people assign meanings to ongoing occurrences (Wagner and Gooding 1997; cf. Weick 1995). In order to achieve BST 3.0, business needs narrative intelligence as well in the sense that they build on a recursive and iterative process of exploring and experimenting with possible futures (cf. naive intelligence) and that they require firms not only to recognize stakeholders and their characteristics, but also to truly engage with them in this process (cf. native intelligence). Bearing this in mind, narrative intelligence goes well beyond communicating and even storytelling. Through a co-creation process with their stakeholders it enables firms that want to develop 'true' BST to create joint interpretation mechanisms and attach shared meaning to the interface of business and society.

When one concludes from the 'big disconnect' that sustainability and the relationship between business and society need a new story, BST 3.0 firms should be willing and able to play their part in creating that story.

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NEETs—A Human Resource with a High Potential for the Sustainable Development of the European Union

Silvia Puiu

1 Introduction

The 2030 Agenda for Sustainable Development (United Nations 2015) became official on 1 January 2016. Its aim is to decrease poverty until 2030 while all countries will contribute to this following the 17 goals of the agenda, mainly focused on five pillars: people, planet, prosperity, peace and partnership. This chapter provides insight into the fourth (ensure inclusive and equitable quality education and promote lifelong learning opportunities for all) and the eighth goals (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).

In my opinion, the 17 goals and the 169 targets of the 2030 Agenda are all interconnected and it is difficult if not impossible to separate them one from another, because each goal has an impact on the others. Starting from the importance of education for the development of a society, I consider the problem of NEETs (not in employment, education or training) is of a great importance nowadays and refers both to people and prosperity. The increased number of NEETs in European Union proves that this issue should be handled in partnership by all countries in order to ensure the sustainable development and put an end to poverty and hunger.

Solving the NEET problem or implementing strategies to reduce this phenomenon could have important benefits for all countries such as: a more educated society in the future, a peaceful climate, an increase in productivity, less poverty and an equitable community with less gaps between people.

According to International Labour Organization—ILO (2015a), there is no international standard for defining NEETs, but some organizations like Eurostat or ILO use the same definition: “the percentage of the population of a given age group or sex who is not employed and not involved in further education or training”. OECD

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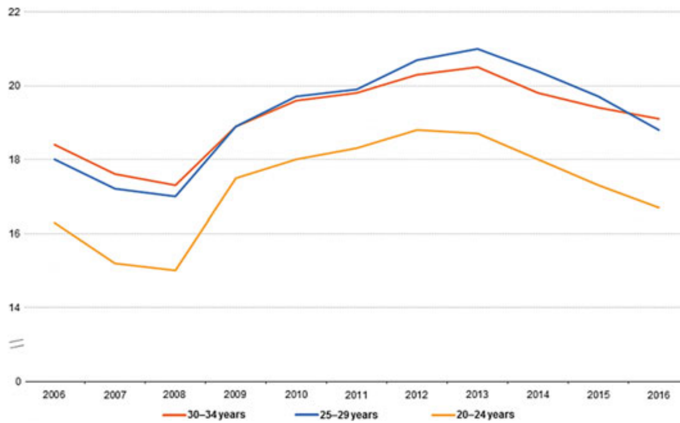

Fig. 1 Share of NEETs by age, EU-28, 2006–2016. *Source* Eurostat (2017). Young People neither in Employment nor in Education or Training

(2015) defines NEETs as youth inactivity referring to "the share of young people who are not in employment, education or training, as a percentage of the same age group".

Both ILO and OECD mention the term "age group" but do not define it precisely because each country establishes the limits in accordance with the public strategies regarding youth, education, employment and also taking into account the national statistics and the specific problems which youngsters have to cope with. ILO states that there is an important problem with the global statistics because there is no official definition for all countries, they choose different age groups for the same concept so the possibility to compare is reduced. Moreover, in some countries, there are no statistics or data to quantify the phenomenon and monitor the tendencies.

The term was first used in the United Kingdom in a report of the Social Exclusion Unit (1999) focused on youngsters between 16 and 18 years old. Since then, the concept spread all over the world, being used in USA, Japan and European Union. The age group is different so statistics cannot be compared but all developed countries have a strategy aiming the NEETs. According to Eurostat (2017), the age group for NEETs refers to those between 15 and 34 years old, but states that between 15 and 19 years old the share of NEETs is rather low because most of the youngsters are in a form of education (formal or non-formal) or training. If Eurostat mentions also the non-formal education, OECD (2015) excludes non-formal activities or those of short duration. The age range for NEETs increased also as a consequence of the economic crisis that affected more and more youngsters who lost their jobs and were not able to integrate in the labor market, being unqualified or insufficiently qualified, as we can see in Fig. 1.

We notice that in 2008 when the crisis started, the share of NEETs increased by 3% on average until 2013 and affected especially those between 25 and 29 years old (a 4% increase, comparing to 3.7% increase for those between 20 and 24 years old or 3.2% for those between 30 and 34 years old).

Another definition for NEETs is offered by Eurofound (2015a): “NEETs are young people aged between 15 and 29 years who were not in employment, education or training”. We notice that Eurofound offers a different age group than that we can find on Eurostat. The target are still youngsters, but according to Eurofound, “the unemployment rate for those under thirty is nearly double the average rate”, so the efforts of the public policies should aim this group.

In Scotland, for example, the age range is between 16 and 19 years old (Scottish Executive 2005), in Japan changed in time from 15 to 19, then to 24 and nowadays to 34 (Toivonen 2012). Obviously, the possibility to compare the share of NEETs is difficult for researcher. Another example is in Latin America and Caribbean where the age group is from 10 to 24 years old, referring mostly to adolescents and youngsters that are targeted in public policies in this region (Minujin et al. 2016). In Romania, there is a law of youngsters (Legea tinerilor, no. 350/2006, updated in 2017) defining youngsters those between 14 and 35 years old.

The present research is focused mainly on countries in European Union because they share more similarities in terms of age group, the structure of NEETs, causes, solutions and strategies that could be implemented to reduce the phenomenon. In 2013, there was established a Youth Guarantee (EUR-Lex 2013) at the level of the European Union and the member states committed to make efforts in order to reduce the high unemployment among youngsters between 15 and 24 years old (another age range for NEETs). According to International Labour Organization (2015b), this mechanism is “one of the most innovative labor market policies of the last few decades”, receiving an important support from all stakeholders.

According to European Training Foundation (2015), the NEET categories are represented by the unemployed who are looking for work, family carers, the discouraged youngsters (because they did not find a job suitable for their qualifications), the sick and disabled ones and also youngsters who are voluntary NEETs and prefer to travel or focus on self-realization activities. Eurofound (2012) identified five categories: the conventionally unemployed which is the largest group of NEETs; the unavailable (family carers, sick or disabled); the disengaged and discouraged youngsters; the opportunity seekers (those looking for jobs and opportunities that suit their qualifications) and the voluntary NEETs (youngsters who prefer to travel or be involved in artistic activities). We can see that the categories are very similar, but more important than these, we have to identify the causes for the important number of NEETs in order to find the solutions which can be implemented to reduce the phenomenon.

2 Research Objectives

The objectives of this research are: establishing the causes and the risk factors for NEETs, analyzing the numbers of NEETs, the costs for not using the potential of these youngsters and the cost for supporting them, as well as identifying the strategies and the policies implemented by the member states of European Union in order to

diminish the phenomenon. This research could be useful for public authorities and other stakeholders to understand the great potential represented by NEETs for the economy of a country and to accomplish the goals of the 2030 Agenda for Sustainable Development.

According to Young Women's Trust (2014), there are some factors that lead to someone becoming a NEET or increase this risk and these are: the structure of the labor market; careers advice; family context and social exclusion; mental health; gender; education. Taking into account the great impact of NEETs on community, governments should handle this problem and act on the causes in order to prevent the costs for society and for the individuals and their families. Some categories of youngsters are in a greater risk than others, for example women, youngsters from rural areas or those in poor families.

In a report of Barnardo's (2009), the risk factors for NEETs dropping school are: difficult relationships with teachers, feeling bored, bullying, a poor sexual education, special education needs, a "bad" behavior, health problems, teenage pregnancy (a consequence of the lack of sexual education), alcohol or other substances consumption, family circumstances (domestic violence, bad parenting, taking care of a family member), structural issues (poverty and unemployment).

Eurofound (2012) mentions two big categories of risk factors for becoming a NEET: disadvantage related to social factors like family, school and disaffection linked to the attitudes of youngsters towards education in general. These can be comprised in six major factors, as we can see in Fig. 2. We notice also the immigration background as a risk factor. Children in families of immigrants are facing this risk because of the lack of stability, this aspect having a bad impact on their education and the possibility to acquire the adequate qualifications for getting a better job on the long term.

If we analyze all these findings, we can see that family is an important factor. A poor and uneducated family will probably raise children with an important risk to become NEETs. These youngsters will become parents, will build a family, probably a disorganized one, and their children will have the same future if government do not implement adequate policies and strategies. This is no longer a problem of NEETs, it is a problem of the community because it has a negative impact on the entire society, increasing the costs at all levels. NEETs are youngsters with a great potential for the economy if they are well trained and educated in order to become a competent workforce, contributing to an increase in productivity and the gross domestic product of a country.

Even if I did not find in the literature the term "family of NEETs" or a "NEET family" because this term of NEETs refers mostly to youngsters, we see that the age group extended after the economic crisis. In many cases, NEETs appear in poor families or with low educational level and NEETs start families with a similar cycle. In my opinion, we can talk about families of NEETs, beyond a certain age. NEETs tend to become invisible in the community and sometimes we do not even know what happened to them. Taking into account this reality, governments should be more active related to NEETs because they really represent a big potential for a country, one that has to be discovered, encouraged and developed.

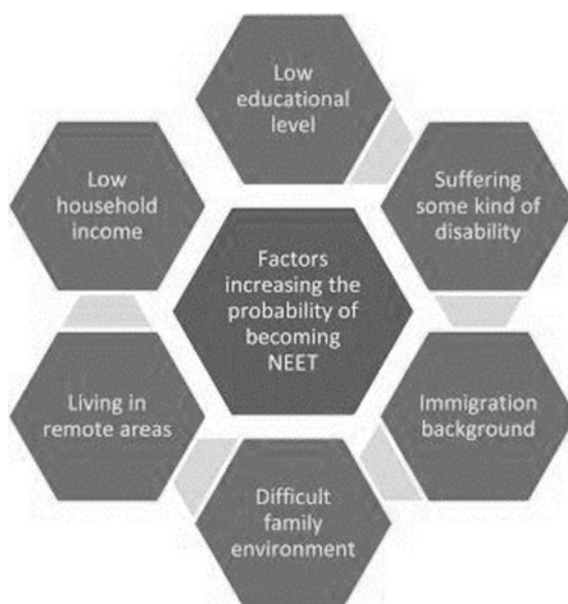

Fig. 2 Factors increasing the probability of becoming NEET. *Source* Eurofound (2012). NEETs Young People not in Employment, Education or Training: Characteristics, Costs and Policy Responses in Europe

The increased number of NEETs in a country means economic and societal costs and as a study published by ACEVO (2012, p. 4) argues, "this is a crisis we cannot afford". A first attempt to measure the cost of NEETs in a comparative manner at the level of European Union was made by Eurofound (2012). The reasons for which this attempt is difficult refer especially to the lack of data regarding this category of youngsters in the member states of EU. Sometimes, the data exist but they are not updated or refer to a different age group than in the other countries, negatively affecting the possibility to make a comparison.

So the economic costs taken into account include the direct and the indirect costs. The direct ones comprise the unemployment benefits or other social benefit schemes that have an important impact on the public budgets, being a considerable financial burden. The indirect costs refer to the loss for the community because NEETs do not contribute with their potential to the gross domestic product of a country and do not pay taxes. The cost of NEETs represent the difference between the benefits received by NEETs and the ones received by non-NEETs. The direct costs are measured by multiplying this difference by the total number of NEETs in each member state. The annual loss generated by NEETs in Europe was €153 billion in 2011, according to the study conducted by Eurofound (2012). The same methodology was applied by Eurofound (2014) after two years and the results showed an increased cost—€162 billion in 2012.

EU Youth Guarantee implemented in the member states of the European Union was meant to help youngsters and reduce the phenomenon represented by NEETs. According to European Parliament (2017a, p. 1), "the effective implementation… started late and achievements have been limited so far, but implementation has accelerated significantly in 2016". Even if this was a conclusion mostly related to Spain as a country case, the European Parliament (2017b) presented a briefing on all member states with all ups and downs of this scheme. In numbers, 14 million NEETs have entered this scheme and 9 million of them have benefited of an offer. Of course, there are numerous limits and barriers, but some steps were done in these four years: all member states implemented plans for Youth Guarantee (YG), even if the results are very different from a country to another.

According to a press release of European Commission (2016a), it is important to measure not only the total numbers of NEETs that benefited from the YG, but also to monitor the impact, meaning the evolution of NEETs and their returning to the educational system or their employment by receiving a good quality offer in the YG scheme. According to the collected data, only 35.5% of NEETs improved their situation, meanwhile there were still 40% of them in an unknown situation, this reflecting the social risks and the potential lost for a country. In the ending of the press release, the question of what should be done to improve the efficiency of the Youth Guarantee receives five possible measures that could be taken: political commitment in all member states; tailored solutions for NEETs facing multiple barriers; the improvement of the mechanism in order to provide youngsters with high quality offers; investments in partnerships between multiple actors like educational institutions, employers and Public Employment Services; increasing the financial support through the Youth Employment Initiative.

In my opinion, one of the problems, at least in Romania, is with the promotion of this scheme, because a lot of NEETs are not well informed and do not have access to Internet, so many of them are still unknown. So, I would add to the solutions provided by European Commission also taking measures of public marketing related to the benefits of the YG, using all the available media to reach the invisible generation as Romanians often name NEETs.

According to Eurofound (2015b, p. 73), the cost with the YG scheme is around €50 billion, but compared with the cost of not doing anything (€162 billion) to reduce the number of NEETs, this financial effort is acceptable, taking into account the benefits that exceed the costs. Egyesulet et al. (2016, p. 5) appreciate that there are five areas where European policies should be improved in order to reduce the number of NEETs: education, volunteering, learning mobility, internship and entrepreneurship. Education and learning mobility help youngsters with providing a solid background for a future job as well as volunteering and internship. All these four pillars could create a favorable context for NEETs and encourage them to have entrepreneurial initiatives. Developing these areas also means to initiate adequate laws such as providing free education, recognizing volunteering as work experience or regulating the internship in order to offer more rights for youngsters.

In a report of National Foundation for Educational Research (2011), the strategies for NEETs should be thought at four levels: macro-economic or national-level; local authority-level; programme-level; school-level. The strategies implemented at these level should be followed by the actions initiated by key agencies and individuals, like family, parents, adult role models.

The connection between education and employment is important, because people who lack education are in risk of not getting a job, this being the reason we consider both the fourth and the eighth goal of the 2030 Agenda for Sustainable Development can contribute to reducing the share of NEETs in the world.

3 Research Methodology

The methodology of the present research is based on a comparative analysis between the member states of the European Union, taking into account two directions: the number of NEETs and the Youth Guarantee scheme implemented by them. The second methodological tool is represented by some interviews with people working with NEETs or with youngsters having a high risk for becoming NEETs. The comparative analysis and the interviews put the basis of a qualitative research that provides a better picture of the phenomenon in the European Union, offering the insights for improving the policies and strategies aimed to reduce inequalities and the number of NEETs, in accordance with the fourth and the eighth goals of the 2030 Agenda for Sustainable Development.

4 Comparative Analysis Regarding the NEETs in the European Union

According to Eurostat (2017), the variations in the number of NEETs in the member states of the European Union are very high, countries like Greece and Italy having a share of NEETs of more than 30%, as we can see in Table 1.

Taking into account that the EU average is 18.3%, a share of more than 30% is very high. Countries like Bulgaria, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Hungary, Romania and Slovakia have NEET rates above the average and all the other 17 countries have a lower share of NEETs. In EU, Sweden has the lowest share of NEETs, almost four times lower in comparison with that in Italy. The gap is even higher if we consider the gender, women being more affected than men in all 28 countries in EU, especially those between 25 and 34 years old. In Greece, Italy and Romania, the share of women NEETs between 20 and 34 years old exceeds 30% and in Greece exceeds even 42% for those over 25 years. The lowest share for women is met in Sweden (9.1%) and for men in Malta (5.2%).

Table 1 Share of NEETs in EU member states, by sex and age, 2016

	Total				Male				Female			
	20–34 years	20–24 years	25–29 years	30–34 years	20–34 years	20–24 years	25–29 years	30–34 years	20–34 years	20–24 years	25–29 years	30–34 years
EU-28	18.3	16.7	18.8	19.1	14.0	15.7	14.0	12.5	22.7	17.7	23.8	25.8
Belgium	17 2	15.3	18.5	17.6	14.9	15.8	15.5	13.5	19.5	14.9	21.5	21.7
Bulgaria	25.1	22.7	28.3	23.7	20.6	21.2	21.9	18.9	29.8	24.2	35.0	28.3
Czech Republic	16.2	10.6	17.2	19.6	6.4	7.9	5.8	5.8	26.4	13.4	29.0	34.2
Denmark	10.0	8.5	10.6	11.2	8.7	9.4	8.5	8.0	11.5	7.5	12.8	14.6
Germany	12.4	9.7	12.3	14.7	8.6	8.6	8.5	8.6	16.4	10.9	16.4	21.0
Estonia	17.3	13.3	20.0	17.6	9.6	10.1	10.9	8.0	25.4	16.5	29.8	27.9
Ireland	18 5	17.0	19.4	18.6	15.6	17.2	16.8	13.5	21.2	16.9	21.9	23.2
Greece	30.5	23.0	33.5	33.4	24.3	22.6	26.1	23.8	36.9	23.4	42.0	42.5
Spain	22.8	21.2	24.2	22.9	20.4	21.7	21.8	18.3	25.3	20.7	26.7	27.5
France	18.9	18.2	19.2	19.4	15.4	17.5	15.4	13.4	22.4	18.9	22.9	24.9
Croatia	22.5	19.6	24.3	23.4	20.4	22.0	20.4	18.9	24.7	17.2	28.2	28.1
Italy	30 7	29.1	32.4	30.4	25.7	29.0	26.8	21.6	35.8	29.1	38.3	39.3
Cyprus	21.3	22.7	20.6	20.8	18.3	21.1	18.1	16.2	24.0	24.1	23.1	24.9
Latvia	17.0	18.1	16.1	17.1	14.8	20.2	13.2	12.1	19.3	15.9	19.1	22.2
Lithuania	14.7	15.3	13.4	15.3	14.3	16.3	12.3	14.1	15.2	14.3	14.7	16.4
Luxembourg	9.9	9.0	9.2	11.3	7.0	8.0	6.0	7.1	12.9	10.0	12.5	15.4
Hungary	18 5	15.4	19.5	20.5	10.5	11.7	10.9	9.0	26.8	19.3	28 6	32.3
Malta	11.1	8.1	9.2	15.8	5.2	6.2	5.2	4.2	17.5	10.1	13.4	28.3

(continued)

Table 1 (continued)

	Total				Male				Female			
	20–34 years	20–24 years	25–29 years	30–34 years	20–34 years	20–24 years	25–29 years	30–34 years	20–34 years	20–24 years	25–29 years	30–34 years
Netherlands	9.7	6.9	9.6	12.8	7.5	6.8	7.7	8.1	12.0	7.0	11.7	17.5
Austria	11.0	9.8	11.0	12.2	9.4	10.0	9.2	9.1	12.7	9.7	12.8	15.4
Poland	18.0	16.8	18.9	18.2	12.5	15.4	11.8	10.9	23.8	18.3	26.4	25.7
Portugal	16.2	17.2	17.2	14.3	15.2	17.3	15.7	12.9	17.1	17.0	18.8	15.7
Romania	23.5	23.6	24.7	22.3	15.8	17.5	16.9	13.2	31.8	30.0	33.1	31.9
Slovenia	13.4	11.8	15.7	12.7	11.7	13.4	12.9	9.4	15.2	10.2	18.8	16.0
Slovakia	21.0	16.8	21.7	23.8	12.6	13.7	11.5	12.7	23.8	19.9	32.3	35.5
Finland	15.0	14.6	14.9	15.4	12.3	15.7	12.0	9.5	17.8	13.5	17.9	21.7
Sweden	8.3	9.3	8.0	7.5	7.5	9.7	6.6	6.1	9.1	8.8	9.4	9.1
United Kingdom	14.8	14.8	14.7	15.0	9.7	13.1	8.8	7.3	20.0	16.6	20.5	22.5
Iceland	6.1	5.4	5.5	7.6	4.4	5.5			8.0	5.2	7.3	11.6
Norway	10.1	8.4	10.2	11.6	9.4	9.0	9 3	10.0	10.8	7.9	11.2	13.3
Switzerland	8.4	8.4	7.8	8.8	6.1	8.9	6.1	3.7	10.7	8.0	9.7	13.8
Fonner Yugoslav Republic of Macedonia	37.7	34.7	43.1	35.2	32.1	32.4	37.4	26.7	43.6	37.1	49.1	44.1
Turkey	34.0	32.5	35.3	34.0	14.8	18.0	15.4	11.4	53.1	46.4	55.2	57.1

Source Eurostat (2017). Statistics on Young People neither in Employment nor in Education or Training

The gap at national level is maintained at European level, the share of men NEETs being 14% and for women 22.7% for the age group 20–34 years old. According to Eurostat (2017), the reasons could be social pressures, career advice and the preference of employers for hiring mostly men. The difference between men and women increases with the age, probably because of the social conventions that appreciate the role of women within the families as being higher after a certain age.

In order to understand the low share of NEETs in Sweden, we have to understand the context in this country and the specific strategies and policies used for helping NEETs or preventing youngsters from becoming NEETs. According to a report of Ministry of Employment Sweden (2014), there was implemented a Job guarantee for youth even since 2007, this being similar with the Youth Guarantee scheme implemented in EU in 2013. Also, in 2011, Sweden launched a major reform for gymnasium GY2011 meant to prevent early school leaving (European Monitoring Centre on Change 2012). The Job guarantee helped youngsters seeking a job for more than three months after registering at the Public Employment Service (PES). Other measures implemented by Sweden are: launch of new start jobs (NSJ) in 2008, individualized coaching for the unemployed (2009), study motivation courses (2010), higher study grants for NEETs (2011), launch of profiling tool and activation measures from the first day of unemployment (2012), strengthening of PES possibilities to support the unemployed youth and of NSJ for long-term unemployed (2013), clarification in the legislation in order to ensure the appropriate support for youngsters that want to return to education and also launch of the support for vocational introduction jobs (2014).

We can notice that Sweden is very active in implementing measures for youngsters being in risk of becoming NEETs or for NEETs and this support is constantly updated and improved. Long before the implementation of the Youth Guarantee scheme in EU, Sweden had already a history of strategies and policies for preventing or reducing the phenomenon of NEETs in their country. Each unemployed has an individual action plan which is an agreement between PES and the jobseeker. The unemployed receives financial support only after three months of being registered at PES, a period in which they have to prove they are seeking a job and check the activities in the individual plan. All measures start from the premise that the more active NEETs are, the more chances they have to return to education or get a job. So, when they are offered financial support, they are also monitored in order to help them increase their chances to be hired.

In my opinion, taking into account the statistics, Sweden could be seen as a model regarding the strategies implemented for helping NEETs and youth in general. These measures and policies should be adjusted for each country, in accordance with the profile of youngsters and the educational context or the situation on the labor market. According to OECD (2016, p. 52), more than 50% of the NEETs have completed secondary education (54% in 2014), 34% of them completed lower-secondary education and 11% even tertiary education.

So, the investment in youth is one of the most important strategic directions for a country wanting to use the full potential of youngsters. In this context, we can understand why the fourth and the eighth goals of the 2030 Agenda for sustainable

development are so important for reducing the number of NEETs and offer equal chances for everyone. The urgent need for creating and implementing such measures is also strengthened by the results presented by OECD (2016, p. 71) stating that the parents of NEETs are less educated than those of non-NEETs. This reality shows us that family is one of the factors that influence the future of youngsters and that education is also a cause and a solution. The lack of education increases the risk for becoming NEET and the increase of the access to the educational services is also an important solution for reducing this phenomenon.

Since 2013, all member states of EU had to implement the YG scheme, so further steps were done in order to help youth. According to European Commission (2017a), 16 million young people benefited from this tool, 10 million received an offer for employment, two thirds of those leaving the scheme in 2015 received an offer for employment, traineeship or education, the share of NEETs between 15 and 24 years old decreased from 13.2% in 2012 to 11.5% in 2016 and 132 labor market measures for young people were adopted in EU member states between 2013 and 2015. The financial sources for YG come from the European Social Fund (ESF) and Youth Employment Initiative (YEI). The latter was also launched in 2013 and targeted unemployed youth from region with youth unemployment rate higher than 25%.

According to a communication from European Commission (2016b), the EU member states can be divided into three groups taking into account the degree to which YG is a driver for reform: Group A with an accelerated reform in countries like Belgium, Bulgaria, France, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Slovenia; Group B with reinforced policy framework in Austria, Denmark, Germany, Estonia, Finland, Ireland, Luxembourg, Malta, The Netherlands, Sweden, United Kingdom; Group C with a limited reform in Cyprus, Czech Republic, Spain, Romania, Slovakia and Greece. The distribution of positive exits from YG scheme by type of offer can be seen in Fig. 3.

We can notice that the first type of exit for youngsters in the YG scheme at the level of EU28 is employment (70.2%), followed by education (13.6%), traineeships (12.1%) and apprenticeships (4.1%). Even if there are important results in all member states of EU, there are some NEETs that difficult to integrate: migrants, refugees,

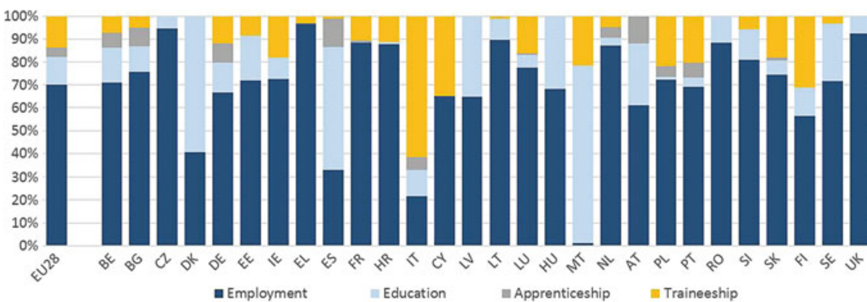

Fig. 3 Distribution of positive exits by type of offer, 2015 (%). *Source* European Commission (2016b). Youth Guarantee and Youth Employment Initiative Three Years On

facing some form of disability and discrimination and being in poverty. For example, the number of NEETs in Sweden is low, but the most important part of the NEETs are immigrants (OECD 2016, p. 77). The low educated, migrants and women are categories with an increased risk for becoming and remaining NEET for a long term.

Despite the progress, there are still a lot of measures that should be taken in order to reduce the number of NEETs: a better monitoring, more partnerships between authorities, ensure proper financing of YG schemes, providing quality offers and increasing the coverage rate of YG schemes (registering also the unregistered NEETs), an increased role for PES and launching of e-services. According to European Network of Public Employment Services (2015), e-services are still limited, but should be expanded, because NEETs are represented by Generation Y and Z that are more familiar with the Internet and it is easier for them to register to YG scheme and apply for the offers provided.

The NEETs registered at PES are at least known, but the most important part of NEETs are not registered and become invisible. Latvia, for example, implemented a project “Know and Do” in order to identify these youngsters and try to motivate them to become active, returning to education or through employment. And Latvia is one of the countries with the share of NEETs below the average in EU28. European Commission (2017b) published the country reports for the EU member states for the Youth Guarantee implementation. The results could be summarized in Table 2, which reflects the situation in each of the 28 countries.

Table 2 presents a synthesis of the countries’ reports regarding the implementation plans of the YG scheme. WE can notice that progress was made, but there are still a lot of limits in the implementation, some due to financial problems and others as a consequence of not being able to identify all NEETs or with the migration background of those having non-EU born parents. The reports mentioned especially a few categories that are more vulnerable than the others: migrants (or with a migrant background), women and low-skilled. Some of the measures to reduce the phenomenon and try to reach the goals for an educational equality and providing decent work for all could aim early school leaving, educational attainment in general, creating and developing programs for voluntary work, internships or other traineeships and apprenticeships.

This comparative analysis is useful for understanding the disparities between the member states, the different needs and contexts and the need for better strategies and policies to be implemented in order to achieve the goals of the 2030 Agenda on sustainable development, reducing the gaps between EU citizens (gender, age and ethnic gaps) and thus reducing the number of NEETs. Youngsters should be seen as one of the most important human resource in a country, due to their potential for the sustainable development of a country or region.

Table 2 Youth guarantee implementation in EU28

Country	YG implementation	Country	YG implementation	Country	YG implementation
Austria	Youth unemployment rate (YUR) increased from 10.6% (2015) to 11.3% (2016); measures for the education of disadvantaged youth; NEETs are especially migrants, women, low-skilled	Germany	High risk for migrants to become NEETs; low rates for YUR and NEET rate; vocational training system as a solution for integration; the integration challenge is an important issue	Portugal	160.77 million euros from YEI; youth unemployment remains high; graduates have a higher employment rate but they are looking for jobs abroad
Belgium	Robust job creation, low performance for low-skilled, migrants, transition rates into employment below the EU average; 42.44 million euros from YEI	Greece	171.52 million euros from YEI; steps for strengthening PES; develop partnerships, VET and apprenticeship systems	Romania	105.99 million euros from YEI; the NEET rate remains high and worsened; measures for improving employment services; limited efficiency of YG among NEETs; insufficient progress of VET system
Bulgaria	55.19 million euros from YEI; limited inclusion of youth; limited progress; low impact of YG on low-skilled; low registration for the PES; a NEET rate higher than the EU average	Hungary	49.77 million euros from YEI; YUR and NEET rate returned to the pre-crisis level; reform of VET system	Slovakia	72.17 million euros from YEI; long term unemployment is high for the low-skilled and young; successful short-term programs on voluntary work and traineeships for those under the age of 29; no individualized services for young long-term unemployment and low-skilled

(continued)

Table 2 (continued)

Country	YG implementation	Country	YG implementation	Country	YG implementation
Croatia	66.18 million euros from YEI; high long-term unemployment for low-skilled and youth; employment services for unexperienced youth; temporary contracts in job creation	Ireland	68.1 million euros from YEI; YUR in 2016 lower than the EU average; a good situation regarding early school leaving and tertiary educational attainment; skill shortage in sales, ICT, engineering	Slovenia	9.21 million euros from YEI; a quarter of those who found a job in 2016 were long-term unemployed, young or low-skilled; the proportion of fixed-term contracts is 12.4%
Cyprus	11.57 million euros from YEI; a high YUR (29.9%); measures for vocation education and for youth employment; limits of PES in implementing YG; a decreasing but high share of NEETs	Italy	567.51 million euros from YEI; a high YUR; 1.1 million of youngsters registered in YG scheme and 0.8 million signed an activation agreement; 0.4 million measures for participants, half of them being traineeship; low quality offers and high differences between regions	Spain	943.5 million euros from YEI; YUR is one of the highest in EU; YG improved in 2016; all youngsters registered at PES are eligible for support within YG from 2017
Czech Republic	13.6 million euros from YEI; a significant fall in YUR in 2016 (10.5%); one of the lowest rates in EU for early school leaving	Latvia	29.01 million euros from YEI; YUR and NEET rate are below the EU average; labor shortages for low-paid jobs and for those requiring specific skills; low changes in the curricula of VET system	Sweden	44.16 million euros from YEI; YUR decreased and the NEET rate is lower than the EU average; measures to strengthen VET system and apprenticeships; unemployment of non-EU migrants is a challenge

(continued)

Table 2 (continued)

Country	YG implementation	Country	YG implementation	Country	YG implementation
Denmark	Legislation for combating youth unemployment; measures for vulnerable youth and activation offers after one month in YG scheme; supply of 8000–10,000 apprenticeships till 2025	Lithuania	31.78 million euros from YEI; shortage of high-skilled workers	The Nether-lands	YUR is falling, but it is still very high for non-EU migrants; a decline in basic skills and an increase in educational inequality
Estonia	One of the best performing labor markets in EU; decreasing and below the EU average YUR and NEET rate; need to reduce early school leaving; unattractive vocational education and training (VET)	Luxembourg	YUR remains high; high rate of enrollment in tertiary schools; early school leaving rose in 2015 to 9.5%	United King-dom	206.1 million euros from YEI; high regional disparities in YUR; long-term and youth unemployment are stable; the NEET rate declined in 2015 but it is high for inactive young women; apprenticeship reform in 2017
Finland	YUR and NEET rate declined in 2016; low employment rates for youngsters	Malta	The share of low-qualified youth (age group 25–34) is one of the highest in EU; the rate of early school leaving is one of the highest, but decreasing; there are mentoring and traineeships programs in the YG scheme		
France	310.16 million euros from YEI; a slight decline of low-skilled youth unemployment; high educational inequalities; VET is not optimized for the labor market needs	Poland	252.42 million euros from YEI; a high proportion of fixed-term employment; the gender gap widened especially in the 25–29 age group; measures for improving quality of higher education		

Source: Analysis of the data from European Commission (2017b). The Youth Guarantee Country by Country

5 Qualitative Analysis Based on the Interviews with Youth Workers—Case of Romania

We continued the analysis in the previous section with one based on the interviews with four youth workers from Romania. They worked with NEETs in certain programs meant to integrate them or with youngsters in a risk of becoming NEETs. There were addressed five questions:

Q1 From your point of view, which are the causes for the high number of NEETs in Romania?
Q2 What are the measures that could be taken at a national or a regional level (government, NGOs, youth workers) in order to reduce the number of NEETs?
Q3 What will be the economic impact on the country if the number of NEETs is reduced by 50%?
Q4 What are the best policies to implement for having positive results regarding the engagement of NEETs and their employment?
Q5 What do you recommend in order for NEETs to return to a form of education or to the labor market?

The youth workers' responses are summarized in Table 3 for creating the possibility to compare them and extract the similarities. Of course, each person that was interviewed has his or her own perspective regarding NEETs taking into account their experience with youngsters, with their families and even with authorities. Their identity remains confidential, because some of them talk about sensitive issues, criticize authorities for not doing more and some are working in a public institution. The first youth worker is a trainer, the second was engaged in a European program for helping NEETs, the third one is a social worker and the fourth is an employee in a public institution dealing with NEETs.

We notice that the responses are similar in terms of identifying the causes of the NEET phenomenon (lack of education, poverty, lack of self-confidence), the measures and the policies for NEETs (partnerships between different entities, engagement of youth workers and NGOs, non-formal education, job coaching, trainings or apprenticeships). The positive impact of reducing the number of NEETs is recognized by all youth workers. The one working in a public authority dealing with NEETs gave specific details regarding the measures that should be implemented in order to have a proper YG scheme and increase the efficiency of YG and YEI.

The comparative analysis of their responses is relevant for the high number of NEETs in Romania and is useful for policy makers and other shareholders, reflecting different perspectives of the same picture. Each of these workers has a different work and life experience that helps us understand their point of view, but only a combined analysis can show us that there are multiple solutions, some very easy to implement (by teachers and other youth workers) and other require effort, time and an entire team (for creating a proper juridical background or develop PES and increase the efficiency of YG scheme). Another problem in Romania is with statistics, the term "invisible generation" is used frequently in the national literature, because a lot of NEETs are not registered so the real number is not known.

Table 3 The responses of youth workers regarding the phenomenon of NEETs

Youth workers (YW)	Q1	Q2	Q3	Q4	Q5
YW1 (trainer)	Lack of education of the entire family, the poverty, lack of trust, lack of information, the region (rural areas)	Campaigns for preventing early school leaving, programs for helping NEETs to return to education and labor market, partnerships between various actors, offering facilities to the employers of NEETs, offering some support for the NEETs' families	The living standards will be higher, there will be less social tensions, an increased educational level, their integration to the labor market would mean a higher income per family, so an increased consumption and an economic progress	Policies for preventing early school leaving, policies for increasing the number of employed NEETs and also offering facilities for employers hiring and training NEETs	An educational system focused not only on providing information but also on non-formal activities that help youngsters to develop as a person. Attracting parents into some programs for NEETs at a community level would be helpful because in many cases, family is a factor risk
YW2 (participant in a European program addressed to NEETs)	Lack of an adequate education, the social and economic status of the region and the family they belong to; some NEETs were left by parents working abroad and were raised by other relatives; lack of interest and support from authorities	Attracting youngsters to activities that will raise their interest for education and work and their trust into the future; adopting legislative and economic measures for easing their integration	The economic level of the country will raise because NEETS can be good professionals, amazing entrepreneurs. They can bring profits for employers and if they are entrepreneurs, they create jobs and pay taxes, so the impact is significant	Measures for integrating/reintegrating youth, programs of formal and non-formal education, offering benefits for NEETs that are returning to education or find a job	Engagement, devotion and a lot of work are needed
YW3 (social worker)	Lack of interest for school; early school leaving; professors have minimum expectations from them so they are not aware of their full potential; lack of self-confidence	Investments in the professors' training making them prepared to respond to the youth being in a risk for becoming NEETs; identifying the potential of children and adapting the curricula to it; engagement of NGOs regarding NEETs; monitoring of children leaving school in order to prevent early school leaving; organizing support groups in the community to help NEETs; job coaching	Economic and social benefits; the decrease of social allowances received by some NEETs; an improvement in the educational level of NEETs; the increase of their income will be helpful for their families and their children, so more benefits for the long-term	Professors' training; engagement of the local community, NGOs and other partners; an increased focus on positive results of children not on their mistakes; an increase of the practical activities in school, more trainees and apprenticeships; job coaching	A change of perspective in schools, switching from theory to practice; partnerships between schools from different cities or even countries; increased opportunities for youth to be recruited by companies; job coaching for preventing youngsters to leave their job because of a lack of self-trust

(continued)

Table 3 (continued)

Youth workers (YW)	Q1	Q2	Q3	Q4	Q5
YW4 (employee in a public institution dealing with NEETs)	Limited access to education and labor market for some categories of youngsters; lack of jobs; lack of appropriate legislation regarding programs for youngsters; some good laws exist but are not implemented; marginalization of youngsters with special needs	Youth workers should develop programs of non-formal education for youth; NGOs should organize activities for NEETs in order to help them reintegrate in the community; creating a juridical background for helping youngsters and monitoring the implementation of laws	An increase of the productivity and of the gross domestic product	Tax incentives for those hiring NEETs for at least 2 years; support for NGOs and youngsters wanting to apply for European programs; implementation of the Youth Guarantee; providing quality offers for youngsters after registering at PES; developing the YG implementation plan for regions where YUR exceeds 25% and the reform of apprenticeships and send them to the European Commission (EC); requiring support from the EC regarding YG and the opportunity to access the funds allocated by YEI and the European Social Fund; developing an entrepreneurial education among youngsters and encouraging them to become entrepreneurs and contribute to the economic growth; promoting a more inclusive labor market; launching policies to combat poverty and promote social inclusion	In order to have a future, you have to work. Youngsters should understand that work is noble and contribute to the wealth of them, their families, their community and their country

6 Conclusion

The aim of this qualitative research was to understand the significant role played by NEETs in an economy. If their number increases, the community supports the cost, but if there are taken serious measures to prevent and reduce the phenomenon, there are a lot of benefits because these youngsters have a high potential for the sustainable development of a country. When this is fully understood, the fourth and the eighth goals of the 2030 Agenda on Sustainable Development will be achieved, offering equal opportunities for education and work to all youngsters, independent of their age, skin color, ethnic background, race, language, religion or culture.

The comparative analysis of EU member states helps us to understand the differences and also the similarities between countries and to extract the strategies, the policies and the measures implemented in the countries where the number of NEETs is lower or is constantly improving. The NEET phenomenon is complex, being related in many cases with other social problems like gender gap or the migrants' discrimination. As one of the youth workers we interviewed said, we all should promote social inclusion more often. Fighting against discrimination could offer youngsters and especially NEETs a better life, with equal opportunities for a quality education and significant jobs on the long-term.

The impact of reducing NEETs would be high, at an economic and social level. A more educated population with higher incomes could lead to an increase in consumption and therefore in production. The GDP will increase and the taxes paid to the national budgets will too. Being educated and having a job could help youngsters in having a healthier and a wealthier life, for them and for their families. We consider that the vicious circle of the NEET phenomenon could be transformed into a virtuous one by implementing adequate strategies and taking proper measures: a reform in education; trainings for youth workers; more engagement from NGOs; partnerships between all shareholders (local and national authorities, educational institutions, NGOs); tax incentives for employers hiring NEETs; develop PES; increase the efficiency of YG and YEI; respect the recommendations from EC regarding NEETs, YG and YEI; monitor the NEETs and their progress.

The NEET problem is a problem of all of us: community, government, family, school, employer, simple citizen, colleague, professor. Each of us can act in order to reduce the number of NEETs. Some will have more power to create, develop and implement strategies, policies or take some measures and decisions with a greater impact, but we all can do things that could help youngsters not to become NEETs. Youth workers (including teachers) can notice the risk factors that could lead to becoming NEET (poverty, family, a migrant background, gaps in knowledge) and try to help those youngsters by offering support (educational and even moral). Education is the foundation for the future of youth because those who are educated have more chances to succeed and find a proper job. They tend to be more active and even if there is a crisis and lose their jobs, they will try to enter a training or an apprenticeship program or return to school for a new qualification. Non-formal education is also very important and could help NEETs to exit the vicious cycle of their lives.

The sustainable development of all countries is based on the human resource and youngsters (including NEETs) are a resource with a great potential for the economy. We know that resources with high potential should be first discovered, understood and afterwards developed with important investments. If we want a profit, we have to first invest some money. The comparison might seem simplistic, but it is real: we have to identify NEETs, invest in them and in their education, in order for them to be able to help the economy in return, revealing their full potential.

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The Sustainable Development Goal on Quality Education

Mark Anthony Camilleri and Adriana Caterina Camilleri

1 Introduction

Education transcends curriculum programmes. It provides opportunities for social mobility as individuals are rewarded according to their own merit. Therefore, interventions in educational policy may play a significant role in shaping key performance indicators for social and economic outcomes. It may appear that little is known about the antecedents, the causal pathways and the relative impacts that different educational interventions have on social outcomes (Gradstein and Justman 2002). Education can contribute to create a fair and just society for all (OECD 2008). Recently, the provision of quality education has been recognised as a standalone Sustainable Development Goal (SDG4). This suggests that intergovernmental organisations consider education, training and lifelong learning as high priority areas in their regulatory policies. With better education, there may be implications for job creation, competitiveness and prosperity (OECD 2012). Academia often attempt to shed light on the link between education and economic growth, poverty, gender equality and health (Vladimirova and Le Blanc 2016; Gupta and Vegelin 2016; Gradstein and Justman 2002; Green et al. 2003; Thorbecke and Charumilind 2002).

This chapter begins by exploring relevant theoretical underpinning and regulatory guidelines surrounding the notion of quality education. Afterwards, it features a case study on educational policy efforts in the Maltese context. The Ministry of Education and Employment in Malta is currently responding to the European Union's 2020 recommendations for reforms in lifelong learning. This contribution posits that Malta

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is pursuing strategies to reduce early school leaving by setting up a comprehensive monitoring system. Malta is committed to raising awareness on the importance of education and training for all of its citizens. At the same time, this case study suggests that the smallest EU State is striving in its endeavours to address skill gaps in its labour market. It is hoped that this island nation's productivity and competitiveness may be improved even further through the increased participation of women in tertiary education and/or in the job market. The promotion of flexible working arrangements (see Putnam 1995), the provision and affordability of childcare facilities as well as out-of-school centres can encourage lifelong learning. Such measures and proposals may possibly bring more social cohesion and a better standard of living for all members of society.

2 Setting the Scene of the Research Problem

The flagship initiatives of the Europe 2020 strategy, including the platform against 'Poverty and Social Exclusion' and the 'Agenda for New Skills and Jobs', have supported efforts to reach these targets (EU 2010a). Through its 'Social Investment Package', the European Commission has provided guidance to Member States to modernise their welfare systems towards social investment throughout life (EU 2010b). The Commission has worked together with EU countries through the 'Social Protection Committee' by using the Open Method of Co-ordination (social OMC) in the areas of social inclusion, health care and long-term care and pensions (ESF_OMC 2009; EU 2010b).

There are millions of Europeans who are still on the side-lines, both from the labour market and from social inclusion and integration (Jackson 2009). According to EuroStat (2012), these figures are on the rise: 24% of the EU population (over 120 million people), are at risk of poverty or social exclusion—this includes 27% of all children in Europe, 20.5% of those over 65, and 9% of those with a job; Close to 9% of all Europeans live in severe material deprivation—they do not have the resources to own a washing machine, a car, a telephone, to heat their homes or they face unexpected expenses; 17% of Europeans live on less than 60% of their country's average household income; 10% of Europeans live in households where no one has a job; There are more women (12 million) than men that are living in poverty in the EU (EuroStat 2012). At the European level, poverty among young adults and families with children had increased. Nowadays, there are also more single-adult and single-family households (OECD 2011). In this light, the fight against poverty and social exclusion is at the heart of the Europe's 2020 strategy for smart, sustainable and inclusive growth (Pasimeni and Pasimeni 2015; Copeland and Daly 2012).

Combating poverty was a central component of social cohesion, as a lack of resources can trigger a number of processes of exclusion. This can also happen in the areas of education, employment as well as in different aspects of social life and citizen participation (Copeland and Daly 2012). The young population has always been recognised as one of the most vulnerable groups in society. This is particularly

the case in today's situation, as the financial and economic crises have had a strong impact on young people (EuroChild 2012). One out of five children under the age of 17 live in families at risk of poverty, and many of them in families with young parents (EU 2011). Youth unemployment (young people between the age of 15 and 24) stand at more than double that of the total population. At the beginning of 2010, the youth unemployment rate exceeded 21% (compared to 10% for the general population). There was an increase in more than 32% from the previous year. At the same time, more than one-third of all young people in the EU between the age of 18 and 24 were neither in education, nor in employment. One-fifth of children did not have basic standards of literacy and numeracy. And while the percentage of early school leavers has continuously decreased over the last decade, it was still at about 15% at the end of 2008 (EU 2011).

In most EU countries, it is evident that there is an equality gap between the rich and the poor. In many cases, the wealthy households are significantly in a much better position than middle-class and poor households. Moreover, unequal results in education are increasingly being tolerated as long as they are proportionate to the different characteristics of pupils at the start of their courses (Souto-Otero and Whitworth 2006). Under this principle, a notion of 'objective merit', typically measured through examination scores, has guided the progress of individuals through several educational systems. Financial help to individuals from less privileged backgrounds is therefore permissible according to this principle. The emphasis of this principle is on access to courses rather than on the structure or quality of these courses (Souto-Otero and Whitworth 2006). This discourse leads to this case study's underlying research question.

2.1 Focused Research Question

'How can quality education reinforce a smart, sustainable and inclusive growth in the European context?'

2.2 The Provision of Quality Education for Cohesive Societies

Green et al. (2003) believed that there is little clarity in policy discussions about what social cohesion meant and how education may have affected it. Whereas, Heyneman (2000) argued that social cohesion had significant economic benefits particularly in western societies where public education has been one of the main contributors to social cohesion. Gradstein and Justman (2000) had reported that uniform schooling reduced redistributional conflict among distinct social groups. They emphasised the central role of human capital as they explained how education contributed to

economic growth. Gradstein and Justman (2000) examined the implications of experiencing endogenous growth where education plays the dual role of building human capital and determining social orientation. However, they also held that these two dimensions may inevitably interact through the adverse effect of social polarisation on the productivity of human capital.

Significant investments have already been made across the globe to raise competencies that help improve social outcomes, since these are known to affect educational and labour market success. For example, the fourth United Nations' (UN) Sustainable Development Goal (SDG4) and its 10 targets represent an ambitious and universal agenda to develop better skills for better lives. Five of the 10 targets are concerned with improving the quality of education for individual children, young people and adults, and to give them better and more relevant knowledge and skills. During the last few decades; major progress has been made towards increasing access to education at all levels; from school readiness among young children through achieving literacy and numeracy at primary school, increasing enrolment rates in schools particularly for women and girls to equipping young adults with knowledge and skills for decent work and global citizenship (UNSDG4 2015). However, OECD's Programme for International Student Assessment (PISA), the world's most widely used global metric to measure the quality of learning outcomes, as well as its adult version, the Programme for the International Assessment of Adult Competencies (PIAAC); underline that although many countries may experience high attendances at school; only a proportion of the pupils achieve adequate levels of proficiency by the end of lower secondary education. This finding does not augur well for economic, social and sustainable development. Hence, bolder efforts are required to make even greater strides to achieve the sustainable development goal of quality education for all.

The SDG4's targets for inclusive and equitable quality education are restated hereunder (UNSDG4 2015):

> By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes
>
> By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
>
> By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
>
> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
>
> By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
>
> By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy
>
> By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace

> and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development
>
> Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, nonviolent, inclusive and effective learning environments for all
>
> By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries. By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing states. (UNSDG4 2015)

A relevant literature review suggests that most of the other SDGs are also linked with education (Vladimirova and Le Blanc 2016) and social cohesion (Gupta and Vegelin 2016). Notwithstanding, the promotion of quality education had re-emerged as an important policy objective across many countries, particularly during the past decade. For instance, the aims of Europe's 2020 Strategy (that was launched in 2010) were to improve the EU's competitiveness and productivity levels - that underpin a sustainable social market economy (EU 2010a, b). This strategy identified three priorities as the main pillars: *Smart growth*—developing an economy based on knowledge and innovation; *Sustainable growth*—promoting a more resource efficient, greener and more competitive economy; and *Inclusive growth*—fostering a high-employment economy delivering economic, social and territorial cohesion (Pasimeni and Pasimeni 2015).

Therefore, this strategy has a strong focus on employment creation, skills and labour market reform. It explicitly targets poverty reduction and exclusion. Moreover, one of the prerogatives of Europe 2020 is to reduce the share of early school leavers to less than 10%. In a way, these ambitious targets are also consonant with the United Nations very own SDGs. These goals have the potential to become a powerful political vision that can support the urgently needed global transition to a shared and lasting prosperity (Hajer et al. 2015) Europa 2020 aims to increase the employment rates as it wants to raise the quality of jobs, especially for the disadvantaged groups in society, including; women, young adults and adolescents, disabled individuals and older workers. It is also its intention to integrate migrants in the labour force. This calls for a need to anticipate and manage change by investing in skills and training whilst modernising labour markets and welfare systems. Economic development is closely linked to the capacity to create, retain and attract human capital (Halpern 2013). It is also correlated to the quality of education, training and life-long learning opportunities (EU 2006).

At times, educators may feel over-burdened by pressures to meet the criteria that define success, e.g. raising student performance in high-stakes tests, improving the quality of curricula and instruction, and dealing with children from diverse cultural and linguistic backgrounds. Quality education may become more affordable across the population, and schooling may become a strong leveller of opportunities. Consequently, this may ultimately bring better prospects for upward social mobility

(Goldthorpe and Jackson 2007). 'A cohesive society works towards the well-being of all its members, fights exclusion and marginalisation, creates a sense of belonging, promotes trust, and offers its members the opportunity for upward mobility' (OECD 2011, p. 17). Education may well reduce any inequalities in society by fostering cognitive, interpersonal and emotional skills as well as promoting healthy lifestyles, participatory practices and norms (Jackson 2009). It is important to realise that certain instruments that reduce opportunity costs of continued education can possibly improve attainment levels (OECD 2012). Therefore, lowering the cost of schooling may encourage the enrolment in higher education. At the same time, the quality of education needs to receive adequate attention so that increases in educational outcomes effectively translate into better job matching prospects and improved chances in the labour market. This calls for ensuring policy coherence across sectors and stages of education levels as well as fruitful collaborative agreements with business and industry. There is also a need to ensure that educational institutions provide student-centred services. This underlines the importance of taking a holistic approach with all stakeholders.

Policy coherence requires governments to promote strong linkages horizontally (i.e. across the ministries of education, health, family and welfare), vertically (i.e. across central, regional and local levels of government) and dynamically (i.e. across different levels of education) (OECD 2010, p. 207). Jenson and Saint-Martin (2003) indicated that social investments and employability policies may be tailored to suit individual needs. They made reference to specific measures that provide work–family balance. The authors suggested that governments' expenditures on childcare services will help to allow women to increase their employment rates. Jenson and Saint-Martin (2003, p. 94) hinted that government may cover the shortfall between income needs and market incomes, by a strategy of 'making work pay'.

2.3 Social Inclusion

Social inclusiveness has its roots in human rights, inequality, redistribution, rural development, entitlements and capabilities concepts (Gupta and Vegelin 2016). It aims at empowering the poorest strata in society through investments in human capital and enhancing the opportunities for participation. It is non-discriminatory and is age, gender, caste, sect and creed sensitive in terms of income, assets and employment opportunities (Huang and Quibria 2013). Education has the potential to bring social inclusion through civic and social engagement (Putnam 2001). How children are schooled may impact on their sense of belonging within a society. The schooling experience itself impacts social cohesion, as it shapes and transmits common values that underpin social capital and inclusion (OECD 2012). Green et al. (2003) had clearly distinguished between social capital and societal cohesion. They argued that quality education acts in differential ways on each. Green et al.'s (2003) 'distributional model' shed light on the relationship between equality of educational outcomes and the various measures of social cohesion.

Galston (2001) has shown that school-based efforts to form active citizens may not be successful if the children's families and their local communities do not provide good opportunities for them to engage in civic activities. Charity begins at home. Children can reinforce their values and attitudes by discussing civic matters with their own parents at home. Moreover, Putnam (2001) argued that open classroom environments, classes that require practical involvement in social matters as well as school ethos that promote active citizenship can be conducive to build stronger civic participation from a tender age. These efforts are most likely to be successful when family and community environments are aligned together with the institutional efforts made by educational leaders. The children's well-being and their social progress are more likely to work when their home and community environments are synchronised with what children experience when they are at school (OECD 2010). On the other hand, basic cognitive skills, positive attitudes, healthy habits and other personality traits such as patience, self-efficacy and self-confidence can be nurtured in the family environment (Witmer and Sweeney 1992). Individuals may be better prepared for life when they can enhance their cognitive knowledge as well as their social and emotional skills at home. The family background may help to form the basis for instilling values, attitudes and better active citizenship among children (Deem et al. 1995). In addition, quality education may create an inclusive schooling environment that nurtures social cohesive values towards the entire community. This is one of the reasons why education should be organised to increase the participation of all children hailing from diverse backgrounds (Witmer and Sweeney 1992).

Education can become more inclusive with the most vulnerable groups in society. Educational leaders are entrusted with the formulation of specific policies and measures for social equity in their schools. For instance, gender-sensitive policies and facilities may foster equal access to education for both boys and girls. Efforts to close the gender gap in education may help to break the intergenerational transmission of poverty (Jacob 2002). Educational leaders are instrumental in emphasising the delivery of inclusive curricula and teaching practices that foster diversity and enhance positive perceptions of others in schools as well as in society (Ambe 2006). This applies particularly to the better integration of minorities in education. Countries where inclusion at school is greater are generally also those where trust between different groups in society is stronger. Inclusive schooling systems tend to perform better in terms of learning outcomes than segmented ones (Ainscow 1997). Given that a significant fraction of children, mostly from disadvantaged households, are deprived of quality home environments and/or access to quality early childhood education, compulsory and remedial education have an important role to play (Currie 2001). Therefore, education policy may help to address the skills' deficits of children who have missed the opportunity to develop their basic competencies, earlier on in their life. Perhaps, school leadership approaches to the equity issues then becomes one of developing, orchestrating and leading localised school practices that maximise the representation, participation and recognition of disadvantaged groups and individuals (Raffo and Gunter 2008).

2.4 Social Equality

Gradstein and Justman's (2002) paper had examined the relationship between social cohesion, education and growth in the context of a dynamic model in which the productivity of economic transactions depended on the social distance between the transacting agents. They reported that the expected individual income decreased as a function of average social distance. These cultural distances are determined by the social orientation of the schooling that parents provide to their children. Parents contribute to their children's material well-being by raising them in line with the mainstream, common culture. In Gradstein and Justman's (2002, p. 15) own words; 'this development carries a psychic cost of diluting the traditional values in which the parents themselves were raised and thus weakening the bond between parent and child'. Gradstein and Justman (2002) went on to claim that education is a socialising force as it instils civic virtues from an early age. Therefore, quality education may facilitate the interaction between members of a society who differ in their backgrounds. As such, education has often played a key role in forging national identities and establishing centralised governments. Interestingly, Gradstein and Justman's (2002) contribution indicated that coercive centralised schooling may result in rapid homogenisation and may possibly yield less welfare than decentralised education. Empirically, Gradstein and Justman's (2002) maintained that the contribution of quality education to growth (and of the determinants of public involvement in education), were conditioned on cultural and religious divisions. They went on to suggest that the size distribution of ethnic groups and also the social distance between them will effect this relationship. In addition, their results implied explicit testable hypotheses regarding the narrowing of ethnic wage differentials from one generation to the next, and the greater likelihood of religious rather than cultural divisions could persist in the steady state. Their analysis indicated that the design and assessment of school reforms should take into account their impact on the socialising role of education, and their effect on scholastic achievement. They concluded that there should be more policies to enhance social cohesion in educational institutions.

Green et al. (2003) posited that education effects societal cohesion through: (i) socialisation, by inculcating through the curriculum and the school ethos the values and attitudes which are conducive to social cohesion; (ii) increasing the level of skill, by allowing better cross-cultural understanding and more effective civic participation; and (iii) through the way it distributes opportunities. Interestingly, Thorbecke and Charumilind's (2002) study had indicated a strong correlation between skills distribution and income inequality across countries. Moreover, there was a highly negative and significant relationship between educational inequality, income inequality and social cohesion. Green et al. (2003) found that educational inequality exercised a significant effect on social cohesion which was independent of income equality. This surprise finding did not mean that there was no effect through income equality. The co-linearity between education inequality and income inequality, which overshadowed the effect from income inequality, may have obscured any impact educational inequality had through income inequality.

However, the strong cross-national correlations between education inequality and income equality (Green et al. 2003; Nickell and Layard 1998) may have indicated that any relationship between educational equality and social cohesion runs, at least in part, through income equality. Green et al.'s (2003) model has shown that one important way quality education may have influenced social cohesion is through the degree in which it had generated relatively equal educational outcomes amongst different people. This may have affected certain aspects of social cohesion through the way it has stratified society both in income and cultural capital terms.

Previously, Knack and Keefer's (1997) study had shown that trust and civic norms are stronger in nations with higher and more equal incomes, with better-educated and ethnically homogeneous populations. In a similar vein, Green et al.'s (2003) empirical studies had proved that social cohesion and education are highly sensitive to inequality as well. Perhaps more attention may have been placed on the development of shared or cooperative values and on the attenuation of inequalities in educational outcomes. Green et al. (2003) hinted that many Anglophone countries were placing more stress on raising mean levels of achievement rather than reducing inequalities. These indicators may have reaped fruit in terms of economic competitiveness, although many academics had voiced their doubts about this (Brown et al. 2003). When it comes to promoting social cohesion, there is clearly a case for prioritising the reduction of inequalities, rather than just raising average levels. Beauchamp-Pryor (2012) maintained that disabled people need to be involved in future policy development. She suggested that barriers such as power sharing and traditional ideologies are increasingly being challenged by disabled voices that want to become more active in society.

It is in the regulatory institutions remit to tackle inequality that polarises their societies. Greater income inequality also stifles upward mobility between generations, making it harder for talented and hard-working people to get the rewards they deserve (Goldthorpe and Jackson 2007). Generally, social mobility seems to be higher in countries where income inequalities are relatively low. In some other countries mobility tends to be lower with high income inequalities (Jackson 2009). Processes of social mobility from one generation to the next and from career beginnings to occupational destinations often reflect the dynamics of the occupational structures. By analysing different patterns of such occupational movements, the conditions that affect them, and some of their consequences, one attempts to explain the dynamics of stratification systems.

3 Case Study: The Formulation of Policy for Quality Education in Malta

Young adolescents who leave education and training prematurely; lack skills and qualifications which are essential for their prospective employment. Similarly, vulnerable groups can possibly face serious, persistent problems in the labour market,

particularly during the tougher economic times. Malta has responded to such contentious issues through relevant measures including the provision of training schemes and employer incentives. It has also used the EU's Training Aid Framework which was co-funded through the European Social Fund to strengthen the employability prospects of the Maltese work force. In a nutshell, this programme sponsored students, employees and unemployed individuals to train themselves in areas which were required by business and industry. Recently, the publication of the Europa 2020 report has recommended that Malta ought to take steps to reduce its high rate of early school leaving. The smallest EU member state has committed itself to pursue policy efforts in its education system to match the skills which are duly required for its labour market. On 5 April 2013, the Ministry for Education and Employment has launched an 'Early School Leaving Strategy' which was aimed at reaching the Europe 2020 targets (EU 2013a). This strategy aims to reduce the number of students who leave school at an early age. Educational leaders had crafted policies to motivate students to pursue their studies at tertiary levels. Even though significant improvements in the early school leaving rates were made in the last 10 years, there is still a major challenge ahead in order to reach the Europa 2020 target of 10%. The ESL rate stood was 22.6% as at 2011; according to the Ministry of Education and Employment (2012). The latest strategy is based on the following main principles:

- Proactive, supportive, timely and accessible measures to tackle ESL by schools and all other structures involved;
- Focus on a multi-stakeholder approach including parents, NGOs and local community groups;
- Development and maintenance of appropriate structures and early warning systems;
- Parity of esteem between academic and vocational pathways;
- Focus on flexible exit and entry points into the education system (EU 2013b).

This report indicated that some preventative measures against ESL included the implementation of the 'National Curriculum Framework'; more vocational education and training (VET) opportunities in compulsory education; the strengthening of the existent 'Validation of Informal' and 'Non-formal Learning' and development of new forms of teaching and learning, such as 'e-Learning'. It suggested that there will be intervention measures which include the review of existing measures with a focus on school, parent and teacher collaboration; the development of a multi-stakeholder approach to address the needs of particular groups of students at risk of ESL and further strengthening of guidance throughout compulsory education. It reported that compensation measures shall include the review of second chance and re-integration programmes as well as the provision of comprehensive support. The ESL strategy outlined how childcare and out-of-school centres will lead to a reduction in the gender employment gap (EU 2013b). Social inclusion is both an outcome and a process of improving the terms on which people take part in society (WorldBank 2013). The inclusivity concept is based on mutual respect, solidarity, promoting equal opportunities and decent living standards (EU 2013c). As a matter of fact, EU (2010b) has called for social inclusion as reported in Table 1.

Table 1 The European Commission's goals for social inclusion

• Creating jobs for youth employment and youth centres as means of inclusion, (perhaps through incentives, grants, tax relief et cetera)
• Adopting a cross-sectoral approach when working to improve community cohesion and solidarity and reduce the social exclusion of young people
• Addressing the interlinkages between e.g. young people's education and employment and their social inclusion
• Fostering greater intercultural awareness and competences for all young people and combat prejudice
• Disseminating information and education activities for young people about their rights; Addressing the issues of homelessness, housing and financial exclusion
• Promoting access to quality services—e.g. transport, e-inclusion, health, social services; Promoting specific support for young families
• Engaging young people and youth organisations in the planning, delivery and evaluation of the European Year of Combating Poverty and Social Exclusion (EU 2010b)

Malta has and is responding to such European recommendations. In the last decade, some measures were introduced to attract more women employees in the workplace. Moreover, Maltese employers can claim deductions (upon filing of their income tax return) on the construction of a childcare facility or the acquisition of childcare equipment at their work premises. Maltese families may now send their children to childcare centres, free of charge. Recently, this project was being carried out with the close involvement of the private sector. The families who opted to send their children to private childcare facilities were benefiting from an income tax deduction of €2000 on childcare centre fees (EU 2013b). Since October 2009, the Foundation for Educational Service (FES) has offered an after-school care service. This service aimed to provide an after-school care service within school structures; to bridge the gap between day school and regular working hours of parents in employment or in higher education. The schools and colleges were utilised after their regular schooling hours. This service ran throughout the scholastic year for school children, aged between 3 and 16 years old (EU 2013b).

The introduction of such incentives were intended to attract inactive women to enter the labour market. So far, these measure were proving to be quite successful as female participation in the workplace has increased from 41.1% in 2011 to 45.4% in 2012 (NSO 2012). Notwithstanding, the maternity leave has been increased from 14 to 16 weeks in 2012 and further increased from 16 to 18 weeks in 2013. Moreover, the adoption leave has been extended to 18 weeks as from the 1 January 2013. As with maternity leave, employees were entitled to receive their full salary for the first 14 weeks adoption leave. If employees chose to avail themselves of leave beyond the paid 14 weeks, the additional 4 weeks (as from 1 January 2013) is considered as special unpaid leave and payable at a fixed weekly rate equivalent to the maternity leave allowance. Adoption leave may be taken by both the mother or the father and it can also be shared between them. Adoptive parents may also utilise a year of unpaid parental leave for each adopted child and they are given an opportunity to avail

themselves of a once-only career break of 5 years unpaid leave for the same purpose. A new concept was also introduced whereby in terms of Legal Notice 503 of 2011, employers cannot force pregnant employees to work overtime (EURES 2013).

A recent publicity campaign has enticed more women to participate in the labour market. A 13-week TV series promoted the financial independence of women and the greater involvement of men in the sharing of non-remunerated family work. It targeted employers by highlighting the benefits that increased work–life reconciliation measures could have for both employers and their employees. This campaign also included a study which, amongst others, analysed the reason for the low female employment rate in Malta. This campaign entitled, 'Sharing Work-Life Responsibilities' aimed to:

- Increase the female employment rate by promoting the benefits of financial independence for women through formal employment and self-employment; sharing of non-remunerated work at home; and a second income for the family, to achieve a better standard of living;
- Decrease the feminisation of poverty through dependence on the State and/or their spouse/partner where financial matters are concerned;
- Promote a change in the workplace mentality by targeting employers on the benefits and win-win solutions that can be achieved through the introduction of various work-life reconciliation measures in their organisations (EU 2013b).

The Employment and Training Corporation (ETC) has made good use of EU funds to address the challenge of skills mismatches in the labour market (EU 2013b). Similarly, MCAST has benefited from seven European Social Fund projects (in the period between 2008 and 2015). These projects address the challenge outlined above with a total allocation of over EUR 33 million (EU 2013b). Three of these ESF projects have recognised skill mismatches between education and the labour market. The project identified current and anticipated educational needs and skill gaps of 10 industrial sectors in Malta. Educational leaders in collaboration with employers continuously strive to address any shortages of the present workforce through the provision of specific training.

A number of existing courses are being re-designed so as to become more relevant to current economic needs. Moreover, ETC has and is undertaking other laudable measures for unemployed persons. Individuals who register for employment benefits are trained to acquire entrepreneurial skills and competences. Through this initiative, unemployed people (and small business owners) are given appropriate training in businesses-related issues and mentoring. Successful participants who have completed this training programme and who have presented a viable business plan are awarded an enterprise grant of €5000 (EU 2013b). Interestingly, during 2012, a total of 33 persons applied to receive training and mentoring in this area, and 15 of them were women. Such training programmes were usually aimed at supporting individuals who are interested in enhancing their business management skills. Such a programme is also consistent with Europe's 2020 target to develop and attract (entrepreneurial) talent. Entrepreneurship has also become a key source of growth as this can boost innovation and creativity (OECD 2007). Similarly, the Ministry of Education and

Employment is helping older people and disabled job-seekers with training and work placements in both business and industry. At the moment, there is a growing demand for skills in knowledge-based industries, such as information technology and financial services in Malta. Many training programmes are part-financed by the European Social Funds (ESF). The Malta College for Arts, Science and Technology (MCAST) is also playing a critical role with new, industry-related vocational courses which are relevant to many groups of students. For instance, sustainable tourism, niche manufacturing and aircraft maintenance are just some of the new subjects which are being taught at MCAST, as there are immediate employment opportunities in these fields. The ESF has and is also supporting higher education by offering students the chance to follow postgraduate courses both in Malta and abroad. These projects are supporting Malta's aim of having a third of its workforce that has graduated from university, by 2020 (EU 2013b).

4 Discussion

This chapter analysed UN's Sustainable Development Goal on Quality Education (SDG4) and drew comparisons with the European 2020 strategy, in this regard. Whilst the SDGs tackle different issues, ranging from gender inequality to climate change, Europe 2020 targets cover employment; research and development; climate/energy; education; social inclusion and poverty reduction. The latter strategy and its targets are aimed to create the right conditions for smart, sustainable and inclusive growth in the European context. This case study indicated that significant improvements in educational policy may translate to positive implications for job creation, social cohesion, economic growth and competitiveness. The findings suggest that continuous professional development and training of employees, life-long learning, and family-friendly measures; including better access to childcare, more flexible working schemes and employer incentives could support job prospects (including women and disabled persons) to return to work and to improve their wellbeing. The reforms in education (including the Early School Leaving strategy, training incentives, child care provision et cetera) ought to be founded on social principles such as entitlement; diversity; continuum of achievement; student-centred learning; quality assurance; and teacher professional support (NCF 2012).

A centralised educational leadership has helped to achieve social equity and social inclusion in Malta. This chapter has identified some of the policies and measures which lead to a cohesive society. It posited that well-laid out curricula are capable of successfully developing the full potential of lifelong learners (UNSDG4 2015). In addition, the government's policies of taxation and redistribution of income may have also helped to counteract inequalities in some segments of the Maltese society. This case study reported how the provision of quality education has introduced certain mechanisms that equip people with the relevant knowledge, skills and competences that they need for today's labour market. Active employment policies are required to help unemployed people find work. The overall objective of the employability

programmes is the reintegration of jobseekers and the inactive individuals into the labour market as well as the provision of assistance to employed persons to secure and advance in their job prospects and career progression. This contribution has indicated how educational policies impact on the economic and institutional development the European context.

5 Implications and Conclusions

The sustainability agenda fosters just, equitable and inclusive societies that require the participation of all countries, stakeholders and people (UN 2015). It may appear that there is a unifying thread between the sustainable development goals and the European 2020 strategy. Arguably, these guiding policies are widely regarded as a comprehensive political vision that integrate social, economic and environmental goals that are relevant for both developed and developing countries. Evidently, an indispensable requirement for social cohesion is the eradication of poverty, in all of its forms and dimensions. The pursuit towards continuous improvements in realms of quality education and societal progress can create a virtuous cycle of productivity outcomes and economic growth.

This contribution is not policy prescriptive. It has provided an overview of policy recommendations for smart, sustainable and inclusive growth. The author believes that this contribution provides an initial basis for future research that could link the policy areas of quality education, lifelong learning and social cohesion (Camilleri and Camilleri 2016).

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UN SDGs: Disruptive for Companies and for Universities?

Rudi Kurz

Until more (economic) scholars join the public debate, the quacks will continue to dominate the pond.

A. S. Blinder 1987

1 Introduction

The UN Sustainable Development Goals (SDGs) are game changers.[1] They are the prosaic formulation of a global vision on "the future we want". The formulation has been an inclusive multi-stakeholder process which started at the Rio-Conference in 2012, but has roots which date back more than three decades (with the Brundtland Report as a milestone; see WCED 1987). Ending extreme poverty, stopping climate change and the loss of biodiversity etc. will fundamentally change economic framework conditions and will be disruptive for many industries and companies. In the absence of a global government successful implementation of the SDGs is only possible with a concept of shared responsibility: Not only government policy but also the contribution of all stakeholder groups is necessary. Each stakeholder group has to reassess its "business model" and to decide whether "business as usual" is a viable option.

The significantly changing environmental and social framework conditions can be characterized by key words like decarbonization, dematerialization, re-naturalization, redistribution and inclusion. These SDGs induced changes come at the same time when other major trends are challenging industry and society e.g. digitalization, urbanization, aging, migration. In sum, this could well

[1] For an overview of the 17 goals and 169 sub-goals as well as the process of implementation see https://sustainabledevelopment.un.org/.

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overburden the adaptive capacity of society. It could provoke counter-reactions from individuals, nations and cultures which feel overwhelmed and disadvantaged by this wave. It puts to test the resilience of our economic system and of democracy itself. Protectionism, nationalism and populism are already on the rise.

It is therefore important that key players in the transformation process understand their roles and responsibilities. The inherent systemic restrictions of each stakeholder group have to be analyzed carefully to have a realistic understanding of their actual reform potentials. Based on this diagnosis options for support of more proactive roles have to be discussed.

As the SDGs are not legally binding for anyone and have public goods character, it is quite clear that free-riding is an attractive option. If achieved everyone benefits and no one can be excluded. Why should any organization engage and commit? The answer is

- For those already engaged: The SDGs are "just" a specification of their CSR and sustainability strategy, defining (global) goals more clearly.
- For all others: It is a unique opportunity to understand, connect to and take advantage of an emerging global trend ("sustainability").

Wouldn't "fast second" be an adequate strategic option? Maybe, the sustainability trend is just a fashion ("hoax")? This would be a high-risk strategy, not easy to communicate to investors and to stakeholders. If it turns out that the sustainability trend is stable and a company is not well prepared, it will be too late to transform product portfolio, image and internal organization—because such transformation processes are slow processes. Specifically if main competitors follow a more proactive strategy it is wise to buy "insurance" by at least joining the bandwagon (if not leading it).[2]

This paper focuses on two stakeholder groups—companies and universities. For each of them it is discussed how the specific UN-related organization—the UN Global Compact and PRME (Principles for Responsible Management Education) respectively—are providing support for more active engagement in SDGs implementation.

For companies the SDGs are an impulse to check goals, strategies and activities, proactively redefine their business model. All industries and all functions are fundamentally affected—from resource extraction to industrial production (e.g. automobile, chemical industry) to services (e.g. tourism, retailers). This will be illustrated for the energy sector and for automobile industry. What used to be very general "corporate (social) responsibility" is now more clear and well defined: Companies do share a responsibility for the SDGs, for making the Agenda 2030 a success over the next decade—and for contributing to formulate the next 15 years' agenda. For some companies this will already be quite familiar, others—probably the majority—will be confronted with "disruption".

For universities, like for companies, the SDGs also are a holistic challenge—all disciplines are affected and all functions: teaching, research and how to connect

[2]In the competitive process there will always be such passive, static players, reacting only if forced by (changing demand of) customers or by government regulation. However, there will also be (some) pioneers taking a proactive role as they hope for a first mover advantage. The political challenge is to make this pioneer role (more) attractive and at the same time to stimulate fast followers.

with society (third mission). Priorities will have to change, new educational models developed and implemented. This is challenging the very essence of the science system: the freedom to work isolated in the ivory tower, independent of requests for "relevance" from the perspective of society. It will also challenge the criteria for "success" in the science system. No longer will the one-dimensional indicator of A-journal publications dominate.

The relation between companies and universities will also be affected. Companies need support from academia, as they need a different type of graduates. Universities need external support for changing their educational models—and they need the labor market success of the graduates with the new profiles. Therefore, company sector and university system could benefit from cooperation for the SDGs. On the other hand universities have to be aware of their specific, independent role. Specifically in management education there have been close relations between companies and B-schools and these schools might have to be more aware of their important role as independent players, reflecting business practices and providing critical feedback.

2 Companies and UN Global Compact (UN GC)

With the SDGs companies' responsibility in society has a new framework. This is providing some orientation, but not defining company-specific goals. This is part of the creative task of each individual company. Some will understand "creative" as "greenwashing"—they will lose money and miss opportunities. Reformulating the business model under the (emerging) new framework conditions is an ambitious endeavor. Some of the SDGs and sub-targets are easy to interpret and to translate into company goals:

- SDG 13 on climate action in combination with the Paris Agreement (2015) and the max. 2 °C goal requires global decarbonization by 2050. For advanced industrialized nations like Germany in international burden sharing (carbon budget) the end of fossil fuels has to come earlier, i.e. by 2040. For some industries and companies the time horizon of just two decades is a huge challenge (e.g. energy sector, automobile industry).
- SDGs 9 and 12 address responsible and efficient use of natural (non-renewable) resources. In the German National Sustainable Development Strategy this has been specified as doubling resource efficiency within 25 years (1994–2020), i.e. annual increase of resource efficiency of 2.8%.[3] This is the benchmark for companies: To

[3]In fact Germany is not on track with this SD goal. By 2012 the increase has been just 49% (with not much improvement over the last five years).

be responsible (and competitive) they should at least be able to match the national (sectoral) average.[4]

- SDG 15 is addressing biodiversity (life on land) and the conservation of ecosystems. Land-use patterns have to change significantly, the increasing use of land for industrial facilities, buildings and infrastructure has to phase out. For Germany the national target is a reduction of land consumption to 30 ha per day (by 2020). So far no target has been specified when this will be reduced to (net) zero. However, it is clear for companies that over the long-run their activities have to be delinked from additional land use.

For other SDGsSustainable Development Goals (SDGs) the consequences for company goals and strategy are not so obvious.[5] SDG 1 and SDG 10 which address poverty reduction and reduction of inequality provide little company internal guidance. However, it is clear that they are highly relevant for companies. Failure here would e.g. increase the number of refugees and this would challenge openness-first for people but eventually also for goods and services. This is a threat for all export-oriented companies and economies.

Transforming the company's goal system is the first step. Then adequate measures have to be defined for all targets. This is a massive challenge and only two examples can be discussed here:

- So far carbon emission markets are not working—at least not in Europe. The price of permits is so low (about 20 € per ton of CO_2) that they are no effective incentive for reduction. However, companies can define an internal price for carbon. There have been different experiments and coalitions to advocate for an internal carbon price of e.g. $100.[6] This raises awareness and supports efforts to make the company carbon neutral.
- Change management needs people. It is much easier if employees have a basic understanding of SD and are supportive. To create a new generation of leaders, companies have to cooperate with universities and they have to emphasize the importance of these competencies in the recruiting process.

In sum, the SDGs provide orientation in turbulent times. For advanced companies this is just the next logical steps, the next level. For others—the majority—it is well beyond their comfort zone, feels disruptive, provokes aversion and resistance. Then there is a tendency to organize in "loser coalitions" to defend the status quo and

[4]In a next step sectoral targets could be formulated (see e.g. Climate Action Plan 2050 of the German Federal Government http://www.bmub.bund.de/en/topics/climate-energy/climate/national-climate-policy/greenhouse-gas-neutral-germany-2050/). However, consistency must be guaranteed, i.e. that in total the national goal is achieved.

[5]For "science-based" approaches to determine company-specific sustainability targets e.g. on carbon emissions see Putt del Pino (2016).

[6]See e.g. the statement of UN GC Executive Director Lise Kingo https://www.unglobalcompact.org/news/3361-04-22-2016.

to postpone change. Here comes the most difficult sustainability challenge: moving beyond vested interests.

In some industries it is very obvious that sustainability communication collides with hard facts. Postponing, buying time instead of accelerating SD is the primary role of such companies and industries. Two examples are:

- Energy transition in Germany is confronting the incumbent oligopolysts like E.on and RWE with rapid structural change. For many years they have been betting on fossil and nuclear energy and resisted renewable fossil-free energy sources. With the success of wind and solar energy their power plants became "stranded investment" and it is hard to find investors to finance the modernization of these companies. The management failures are now burdening investors and public budgets.
- Automobile industry is challenged by climate protection (decarbonization) but also by other SD dimensions like material efficiency, air quality and land consumption. If decarbonization by 2040 becomes a relevant goal in many countries, then already by 2030 it will be impossible to sell any cars powered by combustion engines. This is only a decade away and given the development cycles of (fundamentally) new cars, this is nothing and could therefore ruin some of the laggard companies and with them suppliers and regions which always have been proud to be an automobile cluster.

There are two sources of support for the business sector from within the UN system:

- UN Global Compact (UN GC): With more than 12,000 companies and organizations participating, the UN GC is the world's largest corporate sustainability initiative (see https://www.unglobalcompact.org/). The commitment of these companies is a significant support for the SDGs in the political debate (advocate role). UN GC is also providing practical tools to support companies to translate the SDGs and to encourage more active roles (e.g. SDG Compass http://sdgc.unglobalcompact.org/).
- Principles for Responsible Investment (PRI): As a sister organization of UN GC founded in 2006 PRI today has 1.800 signatories representing $70 trillion assets under management. If these huge amounts are no longer available for financing unsustainable projects (e.g. palm oil plantation destroying tropical rainforests) and reallocated for e.g. renewable energy, this has significant direct and indirect effects. The "vote" of capital markets is a powerful driver für change processes especially in public companies.

In sum, the SDGs formulate the grand global challenges and are a useful orientation for companies' strategic decision making—if they listen, are responsive and agile. All others are doomed to decline, making room for a new generation of innovators, a post-fossil, dematerialized, re-naturalized economy. The transition of the energy sector (with the decline of former market-dominating companies like RWE, E.on) is just one example. Large companies in the automobile industry could follow and much of the activities in the chemical industry are conflicting with the SDGs.

Engagement in UN-related organizations like GC and PRI is not enough, however, can support the necessary change processes.

3 Universities and UN PRME

The science system—universities and research institutions—has made significant contributions to SD. Without science it would not be possible to understand the complex eco-systems, to identify "planetary boundaries" such as greenhouse gas emissions and climate change and to analyze alternative solutions. Therefore, science has a very practical role to play. However, academic freedom in teaching and research is not only instrumental but also a value in itself and one of the fundaments of a free society and of democracy. Ideally, the science system is receptive and flexible enough to address changing social challenges and priorities. But there have always been serious doubts whether the reality of science systems can live up to such an ideal. Science system follows an inherent logic which is not automatically close to society needs. The mechanisms and incentives in the ivory2014 tower have often and extensively been described (see e.g. Luhmann 1986; Nowotny et al. 2001; Bonaccorsi 2014; Schneidewind and Singer-Brodowski 2013; Kühling et al. 2015): careers depending on peer reviewed journals, dependence on research funding, disciplines isolating from each other, reluctance to engage in discourse outside the academic circles.

Recently academia and experts have come under political attack by populist movements which are challenging the core asset: rational argument based on facts. "Alternative facts" or even open neglect of facts (climate change as "hoax") has become popular. The attacks on the ivory tower also include persons and institutions (like in Turkey and in Hungary). As a consequence the science system as one of the important drivers of SD is suffering from a loss of influence. Under such circumstances it is becoming more difficult to play the appropriate role in the system of shared responsibility.

In this critical situation orientation as provided by the SDGs and platforms for cooperation as provided by UN PRME are of increasing importance. Specifically management education plays a crucial role:

- In a very practical sense by preparing the next generation of young leaders that should be able to play an active role in transforming companies.
- In a "fundamentalist" sense as B-schools not only provide knowledge and skills but (implicitly) also influence values and attitudes.

To support the SDGs and to support companies in their efforts to be a leading force for implementing the SDGs, management education has to change fundamentally. Business schools also need an Agenda 2030 for management education—with clear targets and processes. What is formulated in SDG 4 (Quality Education) is rather general and has to be translated in national sustainability strategies. However, no

university has to wait for central policy concepts. Every single university can start immediately and directly identify consequences:

- Mission is key: As fundament of a reorientation, which perceives the contribution to SDGs a top priority, a change of mission statement has to be considered. An explicit inclusion of the SDGs provides orientation for internal and external decision making and communication.[7]
- Programs and Curricula: What new profiles, qualifications and attitudes are needed? B-schools should include in learning goals of all programs "basic understanding of sustainable development challenges". Then this has to be included in the regular outcome assessment (e.g. using the Sustainability Literacy Test; see http://sulitest.org/en/index.html).
- Further education: With accelerating structural change continuous life-long learning will become more important. Universities should offer more courses for professionals to retrain them for SD tasks.
- Teaching method: With learning goals teaching methods should be redesigned—with new combinations of blended learning, experiential learning, interdisciplinary projects etc.
- Faculty development: New subjects and methods will require large scale retraining of faculty (as it is not possible to replace many of them).
- Research: Redirecting research activity to support SD has to respect academic freedom but can communicate new priorities also by changing the incentive systems.
- Third mission: Give priority to cooperate with companies, NGOs and other stakeholder groups to solve concrete sustainability challenges. Play a more active role in political discourse. In times of demagogy and post-factual reasoning it is the responsibility of universities to be a witness for truth.
- Governance: Transparency on decision making and financial resource. Reduction of dominating influence of industry representatives in university boards (integrate other stakeholder groups).
- Operations: Analyze and improve environmental and social impact (e.g. resource and energy efficiency) to avoid contradictions between what you are teaching and what your institution is doing.

Support is coming from the leading international accreditation institutions (AACSB, CEEMAN, EFMD etc.). It should no longer be possible to be recognized as high-quality management education or as a top university if no significant contributions to solving mankind's most urgent challenges can be proven.[8] Governments could do more by shifting the priorities of funding for research and teaching—much

[7]Example: "Rotterdam School of Management offers a distinctive intellectual culture; one that is critical, creative, caring and collaborative, and committed to the UN's 17 Sustainable Development Goals." (https://www.rsm.nl/about-rsm/). See also Kurz and Rau (2009).

[8]See e.g. EQUIS Standards & Criteria which request in each relevant accreditation dimension (governance, strategy, programs, research, resources etc.) to address "Ethics, Responsibility and Sustainability" (see https://www.efmd.org/accreditation-main/equis/equis-guides).

more focused on SD issues instead of e.g. training students in learning the most advanced marketing tricks to sell more of whatever (this is what companies could do themselves).

In sum, all this could change management education quite significantly, i.e. we will see not just the traditional continuous improvement process, but—at least some schools—will come up with fundamental changes, disruptive innovation. Given the aggravation of global sustainability challenges, innovating management education already comes very (too?) late. New models should already be implemented instead of being postponed to future semesters.

Support for collaboratively accelerating change processes in management education has been coming for ten years (since 2007) from the UN PRME initiative (see www.unprme.org). It has been active in organizing and stimulating the activity of more than 700 B-schools and universities based on Six Principles. While the Principles already provided a general outline, now the whole initiative has redefined its mission in support of the SDGs.[9] Major characteristics of PRME are:

- Communication platforms: With only a lean Secretariat in New York, PRME activity is organized decentralized in regional chapters and in working groups. Strategic decisions are made by the Steering Committee (see http://www.unprme.org/about-prme/index.php).
- Reporting: With the obligatory bi-annual SIP reports (sharing of information on progress) all signatories have a broad data base to learn from their peers.
- Materials and tools: Brochures, research projects and publications support individual and institutional learning (e.g. Transformational Model, Inspirational Guides).
- Meetings, webinars and conference with different character: Research conferences and project work as well as meetings which emphasize individual learning and training of participants.
- Companies: UN GC has been one of the founding organizations of PRME and still is the major cooperation partner.
- Youth: Directly via students but also via student organizations (oikos, netimpact, sneep etc.)
- Accreditation institution (AACSB, EFMD etc.): These institutions have been PRME co-founders. Together with the UN legitimation the backing from these institutions is crucial for PRME credibility. Specifically for initial accreditation, cooperation with PRME could be a valuable support for business schools.

[9] "The mission of PRME is to transform management education, research and thought leadership globally by providing the Principles for Responsible Management Education framework, developing learning communities and promoting awareness about the United Nations' Sustainable Development Goals." (http://www.unprme.org/about-prme/index.php). See also Buono et al. (2015) and more general Thomas et al. (2014), Sunley and Leigh (2016).

- Advocacy: With public statements (e.g. Outcomes Declarations, Statement in Defense of Academic Freedom) PRME supports an active role of academia in society.[10]

In sum: With the PRME initiative the UN system has created a support mechanism for SDGs integration in management education. It is stimulating individual, institutional and political learning processes. However, less than 5% of all B-schools globally are organized in PRME and this institution itself needs strengthening.

4 Shared Responsibility, Partnerships, Perspectives

Why do we need such an Agenda 2030 on SD at all, need to specify 17 goals for "the future we want"? Obviously, because our current pattern of development has turned out to be "unsustainable". We know this for a long time—at least for decades (see e.g. Meadows et al. 1972; WCSD 1987). But now there is an increasing perception of urgency, it's getting serious—maybe already is too late.[11] We are already facing the consequences of climate change today—which was initially perceived as a problem of future generations. The loss in biodiversity (ecosystems) seems to be unstoppable. With further increase of the world population to about 9 billion by 2050 (i.e. by more than 30%) and with "catching-up" in lifestyle and ecological footprint in many countries (such as China and India) the burden will grow dramatically. In addition—as specified in SDG 8—to eliminate extreme poverty of one billion people in their home countries growth rates of 7% p.a. are assumed. The vision and the consensus incorporated in the SDGs is maybe one of mankind's last chances to make sense of these complex issues and to implement peaceful solutions. In former UN Secretary General Ban Ki-moon's words: "We are the first generation to set an end to poverty, and the last generation to set an end to climate change."

The SDGs are a call to action, and the actions have to be "bold", i.e. continuing with business as usual is not an option. It has to be disruptive on a global scale. But radical, disruptive change always creates some loser groups and is related to resistance. Such processes need—company internal and in society—leadership and (fair) compensation of the losers. However, it is clear and unavoidable that in a sustainable world not all jobs of coal miners and workers in the automobile industry can be conserved.

The cursory analysis of two major stakeholder groups in sustainable development—companies and universities—reveals more reasons for pessimism than for confidence. Companies as well as the science system are dominated by their inher-

[10] See e.g. "PRME Statement in Defense of Universal Values and Principles as Preconditions for Responsible Management Education" (http://www.unprme.org/news/index.php?newsid=447#.WSVuCtykLIU).

[11] "The gap between what we know about the interconnectedness and fragility of our planetary system and what we are actually doing about it is alarming. And it is deepening." (ISSC 2013, 3). See also Kurz (2014, 2015).

ent logic and thus are unable for the disruptive change which would be necessary. No doubt, in both systems there will be some innovative players. However, overall the speed of change will continue to be quite slow (inertia). Therefore, further research is needed and has to focus on stimulating the innovation potentials of stakeholders to accelerate the transformation process.

With respect to universities and the supportive role of PRME discussion about the future would have to include:

- Partnership (Principle 5) revisited: Companies and universities (institution, faculty, students) could be key stakeholders for SD, but both suffer from their internal restrictions. If they could join forces—under the flag of the UN SDGs—they could be much more effective. For generating innovative solutions, critical discourse is essential. Like innovative companies have always used customers' critical feedback as source of inspiration, companies and universities should understand each other as source of inspiration and innovation. In the past partnership all too often has been not more than just a friendly palaver without any specific outcomes. This makes no sense and is a waste of resources. It has to change fundamentally. Exchange on singular best practice examples is also not enough. The focus should rather be on jointly developing new educational models, redefining the research agenda and concepts for further education. Partnership for the SDGs should also include the openness to address core conflicts such as "blood oil" (Wenar 2016), hazardous chemical substances (Glyphosat), systematic violating and capturing of regulation (by automobile industry). Also included should be the joined political engagement for a reliable implementation of the SDGs in national policies.[12] PRME and UN GC with their Regional Chapters and Local Networks respectively could play a catalytic role.
- Dialogue (Principle 6) revisited: Much more than in the past universities have to be perceived as the place for social discourse—not an ivory tower but a dialogue forum. Partnership should not only focus on companies, but also include civil society organizations. Related to the employment consequences of SD, unions are important. New lifestyles and consumption patterns are interlinked with issues of consumer protection and consumer policy. Climate protection and biodiversity require the inclusion of environmental protection organizations. The subject will always be scientific insights on impacts. However, it will also be the rationale discourse about different values and priorities. An important point is that the dialogue becomes more action oriented and is not just l'art pour l'art.[13] In the academic sphere are many groups and initiatives active, which focus on issues of ethics, responsible management, environmental aspects etc. But there is a deficit in coordination, a lack of a common will to implement the SDGs. Diversity might be a

[12]One indicator is the status of the National Sustainable Development Strategy. In Germany this is still a "government initiative", parliament does not vote on it only debate s it, e.g. on March 31, 2017 (see https://www.bundestag.de/dokumente/textarchiv/2017/kw13-de-nachhaltigkeitsstrategie/499976).

[13]"Knowledge is vital for effective action—but for this, we must more tightly link science, policy and society and integrate scientific understanding with action." (Irina Bokova in: ISSC 2013, 3).

virtue. But "divide et impera" also holds, i.e. unless forces are better organized they tend to be without impact—and the incumbent forces continue to dominate. With the SDGs vision and goals are formulated. Now it needs better coordinated advocates. UN GC and PRME with their clear SDG-orientation could play a key role in coordinating and networking.

These are not really new insights—but obviously hard to implement. The "Great Transformation" (WBGU 2011) needs a transformation plan. The Paris Agreement could be a role model for this more general task:

- With the SDGs the goals are agreed (like the 2 °C goal).
- Next all nations have to make pledges and formulate national action plans.
- Then a process of regular reporting is implemented (like in the UN High Level Political Forum).

With such a structure the SDGs could at least keep up with the Paris Agreement—which is important, however only one part of SD (SDG 13).

Governments which are committed to the SDGs have to understand that these are core elements of any national sustainability strategy and allocate more resources to such processes. This should include support for stakeholder engagement e.g. from UN GC Local Networks, PRME Regional Chapters, student organizations etc. If we fail in implementing the SDGs, our planet will be a much more uncomfortable and hostile place after 2030.

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National Competitiveness and Sustainability: Friends or Foes

Małgorzata Żmuda

1 Introduction

"National competitiveness" is a broadly discussed (Abbas 2000; Berger 2008; Bhawsar and Chattopadhyay 2015; Bieńkowski 2000; Bracey 2008; Fagerberg et al. 2007; Pace and Stephen 1996; Waheeduzzaman and Ryans 1996), but still not clearly defined interdisciplinary research area, spanning across theories of international trade, development, and strategic management. The rise of interest in this topic has been accelerated by the intensification of economic interconnections at the micro, mezzo, and macro level, as a result of the global economic liberalization since the 1970s. Consequently, it has been observed that some countries, represented by the companies operating within its territories, visibly outperformed the others in grasping the benefits of accelerated international flows of goods, services, and investment.

Resulting from the export performance benchmarks, macro-competitiveness has been originally evaluated through the prism of national trade performance (Thurow 1993). This approach has been however criticized by scholars, who referring to the post-mercantilist, non-zero sum game trade theories, questioned the very sense of discussing "competition between countries" at the academic level (Krugman 1994, 1996). From the 1990s, the supporters of the national competitiveness concept evaluated it in a broader perspective—as an assessment of the nation's ability to grow in the era of globalization (Bloch and Kenyon 2001, p. 16). This definitional approach has opened a new chapter in the scientific debate, aiming to find the best approaches to conceptualize and strategically stimulate national competitiveness.

Decades after releasing the first publications on national competitiveness, as a consequence to the global financial crisis, progressing deregulation, increasing power of the multinational enterprises and socio-ecological challenges of the global economy, the debate on macro-competitiveness is still vivid and relevant (Aiginger 2016;

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Badinger et al. 2016; Kinra and Antai 2010; Porter and Rivkin 2012). Stronger than ever before, the neoclassical doctrine, rejecting the legitimacy of the strategic developmental policy, is brought into question (Ali 2013; Atkinson and Ezell 2012; Haar 2014). It has been recognized that in order to deal with the challenges faced by modern economies and to enable inclusive sustainable growth of the world population, a long-term sustainable globe as well as a national developmental path has to be designed and implemented. The national competitiveness discourse has been thus enriched with social aspects. Scholars stress the necessity of finding a balance between actions aimed at boosting national productivity levels, responsible use of natural resources, and development of social welfare (Samans et al. 2015; Thore and Tarverdyan 2016). These goals together with the strategies to address them, of which are a part of the main objectives of national governments and supranational institutions, have already become the main concern of industrialized countries and slowly penetrating the agenda of emerging economies.

In the post Washington-consensus era, the Lisbon Strategy and subsequently the Strategy Europe 2020, have both placed smart, sustainable and inclusive growth at the centre of their strategic concerns with their flagship projects “Resource Efficient Europe” and “European Platform Against Poverty” (European Commission 2010). The latest OECD and World Bank efforts concentrate on finding more meaningful ways of measuring the socio-economic success of nations and come up with policy recommendations on how to achieve it, “while preventing environmental degradation, biodiversity loss, and unsustainable natural resource use”. This line of thinking has also been reflected in the recent initiative of the “neoliberal” World Economic Forum, indicating an urgent need of integration of sustainability indicators into the global competitiveness index (Thore and Tarverdyan 2016). The “spirit of sustainability” is clearly visible in their latest reports—evaluating global and European progress towards building a sustainable and inclusive economy (Samans et al. 2015; Schwab 2014).

Due to its many facets and ambiguities, “national competitiveness” constitutes one of the most popular concepts of the modern economics, which is frequently covered in media, political debate, and academic discourse. However, such popularity results in a definitional chaos and confuses the public, leading to “McDonaldization” of this complex research category. For years, researchers have made attempts “to structure this chaos” through developing an overarching methodology to grasp the very sense of macro competitiveness but have been without major success. Today, together with the broadened scope of research, enriched by the socio-environmental aspects, lack of consensus on the best approach to defining and modelling this economic phenomenon further fuels the academic discussions.

In light of the above, this paper aims to conceptualize national competitiveness in the context of sustainable developmental goals. The key question is whether economic competitiveness can be achieved in parallel to “beyond GDP goals”, or whether increased productivity can be pursued only at the cost of environmental and social degradation.

2 Around the (Miss)Understanding of the National Competitiveness Concept[1]

Despite its popularity, national competitiveness is regarded as one of the most misunderstood economic concepts (Berger 2008; Bhawsar and Chattopadhyay 2015; Bracey 2008; Chaudhuri and Ray 1997; Dunn 1994; Ezalea-Harrison 2005; Krugman 1996; Minford 2006; Mulatu 2016; Porter 1990; Reinert 1995). The controversy started with the provocative statement from former US President Bill Clinton that each nation "like a big corporation competes in the global marketplace". This hypothesis was based on the observation that in the globalized world, an era of increased international trade flows and intensified movement of production factors across borders, some countries visibly outperform the others in relation to their export performance (measured by trade volume) and therefore growth rates (measured by GDP levels).

In this sense, benchmarking the performance of national economies and pointing out "winners" and "losers" of the new international division of labour, has been directly "borrowed" by the American politicians from the strategic management competitiveness theory. This resulted in the populistic idea of an "unfair" competition between nations. According to the representatives of this line of thought, companies (or outsourced production facilities) located in the emerging economies, through its significantly lower labour costs, more "relaxed" legal standards, and presumably "unethical" business (and protectionist government) practices, have outperformed the companies in the developed countries in terms of their export performance—which in consequence has led to job reductions and a decrease (or in the best case stagnation) of living standards of people from the most developed countries (Baily 1993; Papadakis 1994; Thurow 1993; Tyson 1993). As globalization proceeds with more visible socio-economic inequalities, the popularity of a zero-sum game approach to national competitiveness is rising in media and populistic politics.

Nevertheless, in the 1990s the concept of macro competition, where one country must lose for the other to win, has been severely criticized by trade and economics scholars as being in contradiction to the classical trade theories. The leading voice against discussing the concept of competitiveness on the macro level has been raised by P. Krugman in his article "The Competitiveness—A Dangerous Obsession" (1994). His criticism was based on three pillars.[2]

First, companies that lose competitive advantage, fall into financial difficulties and eventually go bankrupt. As there is "no well-defined bottom line" of competitiveness on the macro level (as countries do not disappear from the market), there is no sense in discussing their competitiveness. Second, micro competition is a zero-sum game—a company offering more competitive products and services, achieves

[1]Original Discussion Around the Meaning of the National Competitiveness Concept Has Been Presented in the Research Paper by Żmuda and Molendowski (2016).

[2]Elaboration on the controversies around the concept of national competitiveness in the academia together with the critical evaluation of the main points of Krugman's criticism bases on the research by Żmuda and Molendowski (2016).

above-average returns, and financially wins at the expense of a less competitive company. Shifting this analogy to the macro level means that the success of one country translates into loss for another, which in turn would lead to the existence of winners and losers in foreign trade. However, Ricardian theory assumes that each country has a "comparative advantage in something". Therefore, there is no theoretical basis for returning to mercantilist assumptions in foreign trade. Third, export competitiveness is a determinant of the socio-economic success of a small open economy. In case of more self-sufficient large economies, growth does not depend on success in international trade, but rather on the ability to use and redistribute their resources. According to Krugman, the concept of national competitiveness is thus not universal and in the light of the presented arguments, it is only a more "catchy" term to refer to the level of national productivity (Cho and Moon 2008; Dunn 1994; Krugman 1994; Olczyk 2008). In his concluding remarks, Krugman has stressed that obsession with national competitiveness is dangerous, as it may encourage counter-productive policy actions, protectionist behaviours or even trade wars. In the light of the above, the question that emerges is whether or not there a point in launching discussions on national competitiveness at the academic level.

In order to overcome the confusion around the very sense of studying the "national competitiveness" and to fully grasp its "real" meaning, it is worth responding to Krugman's points of criticism. Only through seeing competitiveness from a broader angle, through a developmental economics aspect rather than a trade lens, it's complexity can be uncovered. In it's extended meaning, competitiveness can be regarded as a "contemporary" approach to grasping fundamental problems of economic development in the era of globalization (Radło 2008; Reinert 1995). In this perspective, the main areas of investigation within the competitiveness research focus on key topics associated with developmental economics such as reasons for differentiated socioeconomic development of countries and strategies how to overcome these inequalities (Fagerberg et al. 2007; Martin 2005, p. 7).

Referring to the first point of Krugman's criticisms, discussing national competitiveness makes no sense due to inability to define its bottom line. However, competitiveness as a long-term phenomenon with structural features should be evaluated from the qualitative perspective (Aiginger 2016; Aiginger and Vogel 2015; Jagiełło 2008, p. 13). This is a point that distinguishes the competitiveness of an economy from the competitiveness of an enterprise or sector, which should rather be seen as quantitative categories. In terms of competition at the micro-level, successful companies through offering higher value for their customers, outperform rivals, and reach their goals, thus achieving above-average returns. As a consequence, the companies losing their competitive ability, go bankrupt, and disappear from the market. Less competitive economies do not disappear from the international arena—but it does not mean that the rivalry on the macro level does not exist. It has a different character—it is qualitative instead of quantitative. National competitiveness should be thus seen as a dynamic phenomenon, evaluated in a relative perspective, reflecting the change in the national structure of production and trade towards high value-added specialization (Aiginger and Böheim 2015). Consequently, a competitive economy follows an evolutionary developmental path—from resource intensive (that is labour intensive

and capital intensive) to high-technology specialization (Wysokińska 2012). Such a climb on the specialization ladder can be accelerated through active shaping of the country's global positioning through "new industrial policy", targeting the society's ultimate goal to increase living standards of its citizens.

This leads directly to Krugman's second argument that foreign trade is not a zero-sum game. This is of course true—every nation has a comparative advantage in the export of something. It is however worth stressing that one of the central assumptions of the theory of comparative advantage, on which Krugman bases his criticism, assumes the lack of mobility in factors of production (Kojima and Ozawa 1985, p. 136). Today, in the era of globalized markets and accelerated economic integration, free flow of factors of production has been enabled. Competition between countries are thus manifested in the ongoing competition for these mobile factors, such as technological knowledge, highly qualified specialists, and innovative entrepreneurs. Thus, if the perspective on national competitiveness is extended beyond national trade performance, to include the level of attractiveness of a given location for the domestic and international advanced production factors, there is no contradiction to the Ricardian theory.

In this perspective, the emphasis of the competitiveness debate is shifted to the institutions capable of attracting high-end, specialized resources, and encourage innovative entrepreneurship efforts to stimulate positive externalities for the whole economy. Steady development of technological capabilities enables upgrading of the production lines, gradual phasing-out of obsolete technology, and as a consequence stimulates gains in national productivity (Thore and Tarverdyan 2016, pp. 108–109). Effective use of production factors led by higher innovation, support cultural norms (regarding both production and consumption) as well as organizational and managerial skills becoming the basis for structural adjustment and changes in the competitiveness of economic sectors (Cho and Moon 1998; Porter 1998; Radło 2008). It is therefore possible to assume that countries at similar levels of development are struggling to provide a favourable environment for specialized production factors and to attract business to certain sectors of the economy—thus contributing to better integration in the "new" international division of labour.

This is not only the case for small catching-up economies. In the interconnected world big leaders cannot contradict the power of globalization as it is arriving at their doorsteps. Just like companies do not have to internationalize to be a subject of international competition, for countries where trade makes up a small portion of their GDP, the relative strength of their industries in global markets is as important as for trade dependent small open economies. Otherwise, under free market conditions, imported goods may displace uncompetitive national products (as it was in the case of Japanese cars crowding out the American market and eliminating American manufacturers in the 1970s). Moreover, slowdown of the major global economies is frequently associated with reallocations of some (or all) parts of their value chains to other locations offering more attractive conditions for conducting these activities.

In fact, proponents of the concept of national competitiveness, have never denied the importance of healthy performance of the domestic economy (Cho and Moon 2008, p. 39). Competitiveness models stress the dominant impact of quality of insti-

tutions, domestic savings and investment rates, level of expenses on research and development, quality of human resources and level of entrepreneurship together with the level of development of basic and advanced infrastructure (Bowen and Moesen 2007; Fagerberg 1988; Fagerberg et al. 2007; Lall 2001; Pérez-Moreno et al. 2016; Siggel 2010).

Indeed, screening modern theories on foreign trade and development, one can find aspects highlighted by the theory of strategic management as crucial for building a sustainable competitive advantage (Reinert 1995, p. 29). In the modern globalized world, in order to achieve developmental goals, an economy has to strategically build its international position, taking into account its ability to identify and promote "sectors of the future" within its industrial policy (Sung 2006, pp. 38–42), develop its human resources, strengthen technological capabilities, and improve institutional settings together with mastering adaptability to changing external conditions (Oziewicz 2007, pp. 22–23). These "strategic behaviours" of economies can be linked together as approaches to strategically build national competitiveness.

For proper understanding and shaping of competitiveness (both in strategic management and at the macro level) it is important to stress its relative nature, therefore a nation's performance should be benchmarked to its historical achievements as well as to its closest peers. In this sense, it is essential to differentiate the countries and based upon their structural and developmental characteristics, categorize them into "strategic groups" (Cho and Moon 2005). Main strategic groups in the international arena, characterized by their developmental level, would be emerging economies and industrialized countries. Referring to strategic management basics on how to achieve competitive advantage, two different strategies to stimulate national competitiveness can be distinguished and assigned to these two strategic groups (Aiginger and Vogel 2015). "Low-road competitiveness" (concept inspired by cost-leadership business level strategy) focuses on cost-based competition. Here countries offering low wages, low taxes, and low energy prices (mainly the emerging economies) win the competitive battle. On the contrary, "high-road competitiveness" (concept inspired by differentiation business level strategy) is focusing on national efforts aimed at raising productivity through development of innovative capabilities to become a quality or innovation leader. This strategic competitiveness distinction is easy to grasp and accurately reflects the situation in the modern international competitive arena. There are countries like Bangladesh, which follow the low-road competitiveness strategy, whereas countries like Switzerland pursue the high-road competitive strategy. Direct analogies to strategic management are however too simplistic and at times misleading—with a strong argument to prove it.

Popular trend in competitiveness research evaluates macro competitiveness as a sum of competitive companies acting in its territory. However, following the strategic management definition, competitiveness could be defined as an ability to reach developmental goals. Under this definition, assuming that the ultimate goal of a nation is to increase the living standards of its citizens, long-term macro goals are not a sum of micro goals. Profit-driven companies, implementing cost leadership strategies, through further cost reductions can reach their developmental goals, that is achieve above average returns. However in this case only the shareholders will

benefit, all other stakeholder groups will be in a disadvantageous position. Through "low-road competitiveness" strategy the fundamental goals of the economy cannot be met. Without wage increases, national welfare cannot be improved. Using cheap fossil resources without investments in latest technologies will result in environmental degradation and the welfare of next generations will not be preserved.

Thus, the only meaningful approach to analysing national competitiveness is to see it through the prism of dynamic national ability to increase the levels of productivity, reaching long-term developmental goals—as an ability to climb-up within the international division of labour, that supports increased welfare and an upward shift in the living standards of citizens. This definition would be universal, despite the developmental level of the analysed economy, for both emerging and industrialized economies.

3 National Competitiveness as Ability to Reach Developmental Goals

Searching for ways how to evaluate a nation's ability to reach its developmental goals and to benchmark its relative success in the international arena has been an important point on the research agenda of economic scholars for decades.

Traditionally, research has been focused on measuring national economic prosperity with GDP per capita as the main indicator—evaluated using growth accounting methods. From this perspective, the most common evaluation of a "broad" approach to national competitiveness associates with the national productivity level that can be achieved through a mix of factors seen as "classical" growth determinants. However, with the progressing research on competitiveness, new factors have been uncovered. A wide body of literature models macro-competitiveness expressed in GDP per capita terms, with the main determinants including exchange rates and interest rates (Zorzi and Schnatz 2010), economic freedom (Bujancă and Ulman 2015), quality of institutions (Bieńkowski 2005; Huemer et al. 2013), and capabilities to innovate (Atkinson and Ezell 2012; Castellacci 2008; Dosi and Soete 1991; Fagerberg 1988; Faucher 1991; Karodia et al. 2014; Pelagidis and Mitsopoulos 2014).

Over the past years, the macro competitiveness debate has been enriched by the socio-environmental aspects. In the sustainable competitiveness discourse, scholars stress that increased productivity levels do not suffice for long-term inclusive development of a nation. They point out the necessity for promoting responsible use of natural resources and strengthening of a social welfare (Samans et al. 2015; Thore and Tarverdyan 2016). Several attempts have been made to model and measure the conditions for sustainable competitiveness of a nation, which in the long term is based on productivity enhancements, improved environmental conditions, socio-political stability, and development of human resources (Doryan 1993). Some examples of such attempts include Stiglitz-Sen-Fitoussi Commission's "Beyond GDP Goals" concept (Stiglitz et al. 2010) and corresponding set of "Better Life Indicators" by OECD (Aiginger 2014, p. 17).

A prototype of such an overarching goal has been formulated in (*Global Sustainable Development Report* 2015, p. 42) as "a prosperous high-quality life that is equitably shared and sustainable", stressing the need "for new integrated economic metrics of progress beyond GDP, Human Development Index, and other established aggregates" (*Global Sustainable Development Report* 2015, p. 40) (Table 1).

Table 1 Sustainable Development Goals

What is to be sustained?	What is to be developed?
Nature Goal 13. Take urgent action to combat climate change and its impacts. Goal 14a. Conserve the oceans and marine resources for sustainable development. Goal 15a. Protect and restore terrestrial ecosystems. Goal 15d. Combat desertification. Goal 15e. Halt reverse land degradation and halt biodiversity loss.	**People** Goal 1. End poverty in all its forms everywhere. Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture. Goal 3. Ensure healthy lives and promote well-being for all ages. Goal 4. Ensure inclusive and equitable quality education and promote life-long learning opportunities for all. Goal 6. Ensure availability and sustainable management of water and sanitation for all. Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all. Goal 8b. Promote decent work for all. Goal 16b. Provide access to justice for all.
Life support Goal 12. Ensure sustainable consumption and production patterns. Goal 14b. Sustainably use the oceans and marine resources for sustainable development. Goal 15b. Promote sustainable use of terrestrial ecosystems. Goal 15c. Sustainably manage forests.	**Economy** Goal 8a. Promote sustained, inclusive and sustainable economic growth, and full and productive employment. Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster the innovation. Goal 10. Reduce inequality within and among countries. Goal 11. Make cities and human settlement inclusive, safe, resilient, and sustainable. Goal 17a. Strengthen the means of implementation (finance, technology, capacity building, systemic issues policy and institutional coherence, and data, monitoring, and accountability).
Community Goal 16a. Promote peaceful societies.	**Society** Goal 5. Achieve gender equality and empower all girls and women. Goal 16a. Promote peaceful and inclusive societies for sustainable development. Goal 16c. Build effective, accountable and inclusive institutions at all levels. Goal 17b. Revitalize the global partnership for sustainable development.

Source Global Sustainable Development Report 2015, p. 41

This overarching goal proposed by the GSD Report helps to promote the more precise intentions developed by the United Nations called 17 Sustainable Development Goals (SDGs)—"development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (*Global Sustainable Development Report* 2015, p. 40). Sustainable Development Goals take into consideration six factors needed for sustainable development, namely nature, people, life support, economy, community, and society, and are intended as universal goals of political aspiration, applying to all countries, both developing and developed (*Global Sustainable Development Report* 2015, p. 40).

In the latest editions of the Global Competitiveness Report, efforts have been made to find a link between the concepts of sustainability and national competitiveness. It has been stressed that "although competitiveness can be equated with productivity, sustainable competitiveness can be linked to a broader concept that focuses on aspects beyond the mere economic outcomes to include other important elements that render societies sustainably prosperous by ensuring high-quality growth (…) and producing the kind of society in which we want to live" (Corrigan et al. 2014, p. 55). Resulting from this line of thought, a conclusion has been made that economic competitiveness is a necessary but not sufficient condition for long-term prosperity (Corrigan et al. 2014, pp. 64–65). Reflecting the need for introducing the environmental-, sustainability-, and social sustainability-adjusted measures of competitiveness, a final sustainability-adjusted Global Competitiveness Index has been introduced. This is an important step in linking the Sustainable Development Goals (SDGs) and competitiveness as prerequisites for job creation and long-term sustainable growth (Corrigan et al. 2014, p. 63) (Table 2).

Table 2 Sustainable Development Goals and Global Competitiveness Index equivalents

Goals proposed by UN's SDGs	Equivalent in global competitiveness index
Goal 3: Attain healthy lives for all	4th Pillar: Health sub-pillar
Goal 4: Provide quality education and life-long learning opportunities for all	4th Pillar: Primary education sub-pillar 5th Pillar: Higher education and training
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	7th Pillar: Labour market efficiency
Goal 9: Promote sustainable infrastructure and industrialization and foster innovation	2nd Pillar: Infrastructure 12th Pillar: Innovation
Goal 16: Achieve peaceful and inclusive societies, access to justice for all, and effective and capable institutions	1st Pillar: Institutions

Source (Corrigan et al. 2014, p. 63)

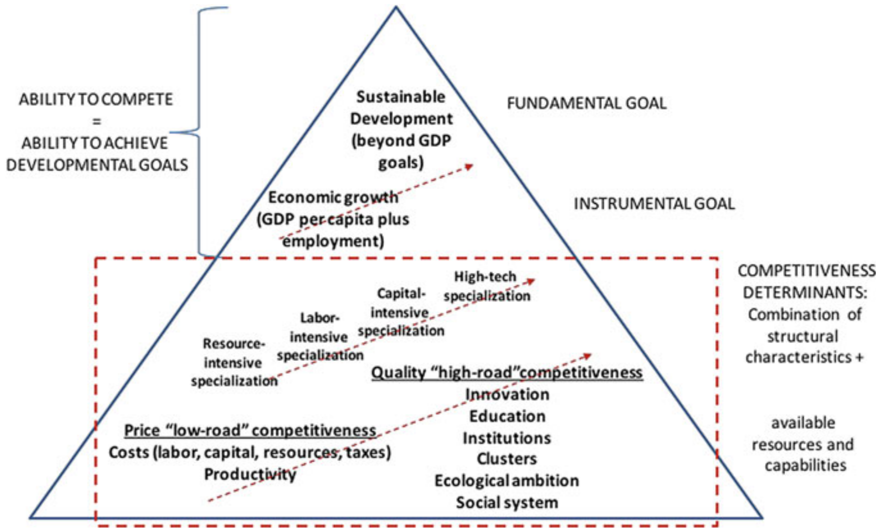

Fig. 1 Sustainable Competitiveness Model *Source* Author's elaboration based on (Aiginger 2016; Aiginger and Böheim 2015; Aiginger and Vogel 2015)

4 Modelling Sustainable National Competitiveness

In light of the arguments presented above, macro competitiveness is defined in this paper as the national ability to reach developmental goals. These goals have been divided into instrumental (productivity- and innovation-driven evolution of trade specialization leading to growth, which is measured by GDP per capita) and fundamental goals ("beyond GDP goals" that reflect socio-economic development without ecological degradation).

Ability to reach these developmental goals is determined by the starting position of a country in the international division of labour. This positioning is however not static. It is determined by national structural characteristics, together with a set of available resources and capabilities that can be actively shaped. The dynamic nature of the model reflects that competitiveness constitutes a continuous effort to "reach a better version of yourself", placing countries on competitive developmental paths (Fig. 1).

5 New Industrial Policy Spaces to Promote Sustainable "High-Road" National Competitiveness

The convergence strategies of majority of the developing and catching-up economies, pursuing "low-road competitiveness", have been built around the neoliberal Washington Consensus policy reforms. Their development policies have been dominated

by liberalization, deregulation, privatization, and cuts in government expenses with the aim to boost economic growth and thus reach the standards of the wealthy developed countries, strengthening mainly the economic competitiveness of the supply side of the economy (Kumi et al. 2014, p. 539). State interventions, generally seen as an interference in the free market forces, were limited to a minimum, and eligible only to correct the market failures, thus leaving the socio-environmental issues out of the main policy scope.

To support the rationale of this approach, the neoclassical growth theory assumes that in the long-term, poorer countries should “catch-up” to reach the productivity and income levels of its more developed peers. The models do not however reflect the complex reality. History shows that we are closer to experiencing a “big time divergence”, rather than a convergence in the global economy (Pritchett 1997), indicating that economic and social inequalities are one of the main characteristics of the modern times (Piketty 2014). Despite the industrial revolution, accelerated technological progress, and globalization—all driving massive improvements in the global productivity levels and living standards—not all countries benefited equally from the process of global value creation, thus resulting in the emergence of highly polarized societies.

A large body of literature indicates that instead of accelerating the pace of convergence, liberalization of international trade and investment, has further divided the world into the rich North and poor South. The colonial domination of the “North” has also “continued” in the strategies of the short-term oriented, profit-seeking multinational enterprises taking advantage of the cheaper “South” locations driving their “low-road competitiveness” approach with their favourable cost position (for labour, capital, resources, and low taxes). The increasing income gap within and among countries, together with the emergence of “winners” and “losers” of globalization, clearly shows that the convergence hypothesis is not unconditional. Nor are the gains from the engagement in international trade and network of cross-border interconnections.

Market-led productivity growth not only takes place at the cost of social development but also harms the global ecological balance. In a majority of cases, high growth rates of the low- and middle-income countries have been supported by an intensive development of most polluting industries (e.g. steel, aluminium, cement, glass), of which have high fossil fuel energy consumption and high greenhouse gas emissions (Burchard-Dziubinska 2011). The greatest challenge in this area is associated with the introduction of the pollution norms and standards that should be respected globally. Otherwise, high emission-generating production will be moved to countries that have lower level of institutional development. As a result, neither will the global environmental goals be achieved nor will the mid-range economies progress in the process of socio-economic catching-up.

Traditionally, the load-road competitiveness strategy was based on the inherited competitiveness factors (associated with natural features of the country such as availability of natural resources, large population, and/or historically-determined underdevelopment levels enabling low-wage competition). With increasing awareness, as the developmental goals change, new strategies need to be developed, thus putting the industrial policy “back on the agenda”. Evolution of macro-strategic thinking

Table 3 Low-road versus high-road strategy for competitiveness

	Low-road strategy	High-road strategy
Competitive advantage	Low costs (wages, energy, taxes)	Quality, sophisticated products, productivity
Growth drivers	Subsidies, dual labour market, inward FDI	Innovation, education, universities, clusters
Ambitions	Cost advantage, flexible labour	Social empowerment, ecological excellence, trust
Instruments	Import taxes, protectionism, devaluation (external, internal)	Business environment, entrepreneurship, dialogue
Objectives	Catching-up in GDP per capita, employment	Beyond GDP goals

Source (Aiginger and Vogel 2015, p. 506)

and departure from the GDP-only goals, calls for a new approach to reach them. In this light, a new industrial policy for industrialized countries is seen as a strategy to promote "high-road competitiveness" and ability of an economy to achieve "beyond GDP goals". This should promote competitiveness based on "capabilities, good institutions, and high ambitions for social and ecological behaviour" (Aiginger 2014, p. 19). Thus, approaching the ultimate goal of society, new industrial policy should find compromises between high sectorial outcomes and positive external effects, such as innovation and education (Aiginger 2014, p. 19).

As there is a visible impact of the environmental protection policies on the competitiveness of selected pollution-generating industries (Burchard-Dziubinska 2011), transition from low-road to high-road competitiveness strategy constitutes a particular challenge for the catching-up economies (transition mid-range emerging economies). On one hand, upgrading the technological standards of their high-emission sectors will be a step towards building a quality-based competition and embarking on the high-road strategy, while on the other hand, in the short-term, it may endanger the existence of the key industrial building blocks of these economies (Table 3).

Therefore, the transition countries, that have been rapidly upgrading their economic position mainly through low cost competition without a long-term plan for structural adjustments, are facing a danger of the "middle-income trap". It seems there is no "B scenario" as existing research shows that environmental and economic indicators are effectively interrelated, with the examples of France and Germany indicating integrated innovation-economic-environmental performance (Gilli et al. 2013). A key factor is (Green) innovation that enables a structural transition and as a consequence a recomposition of the economy. Achieving this goal will however not be possible without joined efforts at the micro, mezzo, and macro levels, with supra-national, national, and regional institutions actively guiding and supporting this change.

6 Conclusion

In light of the accelerated pace and magnitude of changes in the global economy since the beginning of the 21st century, the concept of an "unfair competition" has further gained medial attractiveness. The rise of nationalistic movements spreading across the globe may be thus a "dangerous obsession" scenario that Krugman was warning against. That is why, stronger than ever before, the discussion on competitiveness has to be supported by theory and grounded in solid evidence-based arguments. For the sake of future generations, competitiveness strategy spaces have to be additionally enriched by concepts related to social inclusion and environmental sustainability.

Thus, this paper touches upon two important topics of modern economics: competitiveness and sustainability, and shows that these concepts do not necessarily have to be seen as "foes". Competitiveness in this study departs from the narrow, "low-road", cost-based, "zero-sum game" trade perspective and is defined as a national ability to reach developmental goals in the era of globalization. These goals have been divided into instrumental (productivity- and innovation-driven evolution of trade specialization leading to growth, which is measured with GDP per capita) and fundamental ("beyond GDP goals", reflecting socio-economic development without ecological degradation).

In line with the "new sustainable competitiveness wave", this paper stresses that in the competitiveness debate, emphasis should not only be placed on the linkages between economic, social, and ecological goals but additionally concentrate on the national strategies to reach these goals. After Kumi et al. (2014), it has been concluded that the neoliberal approaches to stimulate national competitiveness support reaching instrumental goals without interventions in the free market, however, in this case, it is difficult to achieve the sustainable development goals. That is why future debate should concentrate on the role of the state in stimulating national competitiveness, reflecting the awakening of the industrial policy.

The second key issue emerging from this paper, thus contributing to the sustainable competitiveness debate, relates to the positioning of the catching-up economies in the global competitive landscape. For these countries, a transition from a low-road to a high-road strategy is particularly challenging as their rapid growth and current global positioning has been mainly based on low-cost competitive factors and high-emission industries. Without a clear, long-term vision, based on institutional support for eco-innovation and efforts to increase the education or consciousness levels (for both production and consumption), these countries may get stuck in the middle-income trap.

Through the suggested sustainable competitiveness model, a link between national competitive ability, competitive strategy, and strategic socio-economic goals has been made. This model constitutes an approach to dynamically represent competitiveness development path for countries at low-, middle-, and high-income levels.

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Sustainable Investment Law—How to Legally Implement Sustainable Standards

Jens Magers

1 Introduction

The challenges at hand are overwhelming. The tasks can certainly not be left to the responsibility of politics only, but one of the world's most influential sectors, finance and business, urgently needs to undergo a change in paradigm. Investors and business people must understand that the commitment to the highest sustainable standards, such as Environment, Social responsibility, Ethical corporate governance (ESG), the Paris Agreement standards and the Sustainable Development Goals of the United Nations (SDG) is crucial in order to stop and reverse the causal chain, which is heading to a collapse of the global system.

We know that capital has been growing exponentially on this planet and most certainly will continue to do so over the coming decades. It is obvious that in view of these circumstances and the fragile situation of our world, capital must be channeled properly in a right, healing direction. So, if as many investors as possible awakened and understood that they have to make an impact, the investment turnaround could be fostered substantially. Understanding in this context is not only intended in the sense of knowing certain facts but at a deep experience-based level, that is, as a result of a whole process which leads to a firm conviction from where one can only act coherently. What is created by such a process is wisdom. And wisdom should be the guiding light for our undertakings.

What we really need is a steady and accelerated evolution toward a profound understanding of the immediate exigencies and anybody is challenged to undergo proper personal development, cultivate love for our planet and a deep compassion for all sentient beings living there. In fact, we have no choice other than to speed up in moving into the right direction. This is fundamental to our survival and that of the global system as a whole.

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Particularly the world's leaders, most influential investors and business people should commit themselves to be trained in order to be able to address the great challenges of humanity. Specialists already offer tailor-made and inspiring leadership transformation training programs that empower the graduates to apply the standards necessary to confront the daunting problems.

Since there is no strict definition of sustainable standards, their content and direction is virtually limitless, for the purpose of this chapter on legal aspects I will consequently speak of sustainable standards, ethical or high-level/superior investment goals in general.

2 Passive Investments

Investors can choose whether they want to be intensively involved in their investments and contribute directly to the success and the implementation of their high-level sustainable investment goals, or not. In the latter case, they may just want to invest capital in order to promote sustainable projects or appropriate companies, without being personally involved all along the investment period.

The distinction between active and passive investments made here is by no means intended to classify active investors higher or more valuable than those, who decide to select the right sustainable investment product and simply invest their money therein. Both categories of investments are important to obtain the overall result of an investment turnaround resulting in a proliferation of companies working in full compliance with the highest standards such as ESG, SDG, Paris agreement and others.

The distinction serves primarily to make the different legal issues more accessible.

2.1 Investment in Mutual Funds

With respect to the passive investment approach, investments in socially and ecologically responsible mutual funds (sustainable funds) are most relevant. During the last decades, many such funds and pooled investment vehicles were created on an international scale. In Germany, however, the number of funds selecting exclusively investments in socially and/or ecologically responsible companies is still limited, but slightly on the rise.

According to the Sustainable Business Institute (SBI), a total of 461 sustainable retail funds were approved for distribution in Germany, Austria and/or Switzerland as of 30 September 2017. These 461 funds were invested with about 90 bn Euros (all

tranches). At the end of 2016, the SBI by way of comparison registered 415 funds that were invested with a total of about 70 bn Euros (all tranches).[1]

The key advantage of an investment in a sustainable fund undoubtedly is that the complex screening work falls into the responsibility of the fund and by the time the investment is made, the selection has already to be completed. This does of course not mean that conscious investors, prior to their investment, will not have a closer look at the fund's selection criteria, due diligence methods, measurements, analytic instruments and reporting tools. In fact, it is highly recommended to make oneself acquainted with the methods applied by the fund.

Details regarding those methods will be discernible from the material the fund will have to disclose to interested investors prior to an investment. As will be explained later, the type of information material (prospectus or other) depends on the type of fund to be launched and its respective addressees.

2.1.1 Legal Framework

In 2011 the European Parliament passed the Alternative Investment Fund Managers Directive 2011/61/EU (AIFMD). This Directive lays down the rules for the authorization, ongoing operation and transparency of the managers of alternative investment funds (AIFMs) which manage and/or market alternative investment funds (AIFs) in the European Union, art. 1 Directive 2011/61/EU.

The AIFMD was a part of a set of measures of the EU to thwart the effects of the financial crisis, which commenced in 2008. The aims of the AIFMD are

- to enhance supervisory practices to prevent market instability and the upcoming of a systemic risk in the European financial system;
- to improve investor protection by imposing new depository standards and enhanced transparency through new investor disclosure rules and strict reporting rules to competent authorities, and
- to promote cross-border competition by deregulating national barriers and creating level playing fields through harmonized rules from 22 July 2013.

It also imposes requirements on third country asset management companies to whom AIFMs delegate portfolio management. Funds which are marketed from third countries into the EU are affected as well.

On 19 December 2012 the European Commission issued the delegated regulation (EU) no 231/2013 (AIFMD level 2 regulation) supplementing the AIFMD regarding exemptions, general operating conditions, depositories, leverage, transparency and supervision.

The AIFMD has been implemented into German national law by the new German Capital Investment Code (Kapitalanlagegesetzbuch, KAGB), that came into force on 22 July 2013. The Code's scope of application is vast, which means that

[1] von Flotow, Dr. Paschen (2017), market development sustainable investment 3rd quarter 2017, http://www.sustainable-investments.org/news/marktberichte.aspx. Accessed on 4 January 2018.

if an investment fund falls under the definition of the KAGB it must be structured, launched and organized respecting the criteria set out therein, and be managed by a specially authorized management company. If an investment fund is not compliant with these rules, it is considered to be an unauthorized investment business of the management company entailing supervisory provisions as well as, in some cases, criminal prosecution.[2]

The KAGB differentiates between two fund types: *Undertakings for Collective Investment in Transferable Securities* (UCITS) and *Alternative Investment Funds* (AIFs), whereas the definition of UCITS is contained in the UCITS Directive 2014/91/EU, which covers collective investment schemes. The AIF category includes all closed-ended funds and those open-ended funds not defined as UCITS.

UCITS are by definition *public funds* because they are always accessible to private investors. AIFs, however may be structured either as public or as so-called *special funds* because on grounds of the KAGB special funds are only accessible to institutional and other professional or semi-professional investors.

An investor pursuant to § 1 section 19 no. 33 KAGB is considered semi-professional if she undertakes to make a single investment of at least 200,000 Euros and declares by a separate written declaration that she has fully understood the investment risks, and whose investment competence has been explicitly certified by the AIF management company or by the AIF's marketing company, § 1 section 19 no. 33 a KAGB. Alternatively, the Capital Investment Code considers investors to be semi-professional if they invest at least 10 m Euros, § 1 section 19 no 33 lit. c KAGB.

AIFs can be structured as *open-ended* or *closed-ended* funds. According to § 1 section 44 no. 2 KAGB a fund is open-ended, if investors are entitled to ask for redemption of their shares and thus exit the fund before its liquidation period starts (early stage). Sustainable funds as any other private equity or venture capital fund invest in illiquid, tangible assets, and therefore are usually structured as closed-ended funds. The strategical aim is to collect a certain amount of investment capital from a limited number of investors and then close the fund until its liquidation.

The Capital Investment Code imposes compulsory legal structures for funds. Generally, the fund initiators may establish the fund by building so-called special assets in the sense of § 91 and § 92 KAGB. The formulation in § 91 section 1 KAGB is quite misleading, since the term special assets does not define a special legal form but only an internal structure which separates the assets under management from the assets of the management company.[3] The fund's assets fall into the property of the fund management company. Being special assets, however, they have to be kept strictly separate. This structure usually finds application in open-ended real estate funds only.

Alternatively and more commonly, special entities may be founded.

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[2]Weitnauer, Wolfgang (2016), Handbuch Venture Capital, C.H. Beck, p. 55.

[3]Köndgen/Schmies (2017) in Schimansky/Bunte/Lwowski (eds), Bankrechts-Handbuch, C.H. Beck, marginal 100.

In these constellations, closed-ended AIFs may only be launched as investment stock corporations with a fixed capital (Investment-AG) or as closed private limited partnership investment companies (Investment-KG), § 139 KAGB.[4]

Open-ended funds may be constructed as Investment-AGs with variable capital. German national open-ended special AIFs may also be launched in the form of open Investment-KGs.[5]

2.1.2 Fund Management Companies

Funds are managed by a *management company*. This may be an *internal* or an *external* company. If the fund decides to build up a separate management company, special requirements for the implementation of a proper supervisory body apply, § 18 section 2 et seq. KAGB. In Germany for various (also tax) reasons funds in most cases are established with an *external management company*. The typical structure of a venture capital or private equity fund in Germany is that of a GmbH & Co. KG (a limited partnership with a limited liability company as a general partner), where the limited partner assumes the role of the (external) fund management company.

The management company of a sustainable fund has the task to select appropriate targets, do the due diligence work, make the investment decisions, control the observance of the high-level sustainable standards and to manage and monitor the portfolio. Usually a so-called investment committee is appointed to assume the duty of preparing the investment decisions.

A contract between the fund and the management company defines the management company's duties. Such contracts ideally contain explicit guidelines for the screening and monitoring of the portfolio companies. This is particularly important for sustainable fund constructions, where the sustainable standards must be unequivocally, precisely defined establishing rules the management company is obliged to adhere to. The simple reference to ESG, SDG or Paris agreement standards is certainly not sufficient. The management company needs to receive explicit directions on how to determine that a potential portfolio company is apt for and would effectively implement the standards. It is obvious that the mere confirmation by the founders of a potential portfolio company of a commitment to such standards is by far too vague.

The introduction of such a system requires particular know-how and training. A special focus of investors interested in channeling their capital toward an integrally sustainable development will be to verify the fund management company's qualification and its capacities in this respect.

If this type of information is not sufficiently presented in the prospectus or other investment presentation material, I recommend to inquire detailed statements in writing and other suitable supporting documentation.

[4]Köndgen/Schmies (2017) in Schimansky/Bunte/Lwowski (eds), Bankrechts-Handbuch, C.H. Beck, marginal 99.

[5]For more details see Weitnauer, Wolfgang (2016), Handbuch Venture Capital, C.H. Beck, p 58.

With regard to AIF management companies incorporated in Germany, it needs to be emphasized that the management fees of such companies is subject to VAT, which naturally has caused Germany a significant disadvantage as the base of funds in comparison to other European countries where such fees are exempted from VAT.

This reflects on a larger scale a preoccupying development in Germany concerning the promotion of venture capital investments, which still is not on the same level as in other G20 countries. Incentives would be much needed and surely no further restrictions.

2.1.3 Legal Requirements for AIF Management Companies/Exceptions

Generally, fund management companies are subject to a strict licensing/authorization procedure, § 20 KAGB and further specific requirements, from which AIF management companies are only partly exempted if certain asset management thresholds are respected.

In those cases, the AIF management companies have to apply for registration and comply with the reporting obligations set out in § 44 KAGB only, *unless* they do not opt for a full application of the rules contained in the KAGB applicable to all AIF.

§ 2 section 4 KAGB defines the following conditions and thresholds applicable to *AIF management companies* of *special AIFs*:

- the management company exclusively manages special AIFs;
- the assets under management including assets acquired by using leverage do not exceed the value of 100 m Euros, or without leverage not more than 500 m Euros;

Pursuant to § 2 section 4 lit a KAGB, in case of a *closed-ended public AIF* managed by an *internal* AIF management company the same rules apply, if

- the assets under management of a closed-ended public AIF including assets acquired by using leverage do not exceed the value of 5 m Euros and
- the close-ended AIF public fund has only up to five shareholders.

The thresholds have to be calculated on the basis of the national bookkeeping standards, hence a Germany based AIF management company will have to apply the German bookkeeping standards to assess the value of the assets under its management.[6]

If the AIF management company manages only *closed-ended (also public) AIFs*, § 2 section 5 KAGB offers the opportunity to be exempted from the general strict regulation if

- the AIFM exclusively manages closed-ended AIF funds (also public funds are admitted) and
- the assets under management including those acquired by using leverage do not exceed the value of 100 m Euros.

[6]Weitenauer, Werner (2016), Handbuch Venture Capital, C.H. Beck, p. 60.

This is particularly interesting, because AIFs also acquiring unexperienced private investors (retail investors) in larger numbers (not only a maximum of five like the exception contained in § 2 section 4 lit a described above), may therefore profit from a less severe regulatory system, as well. In those cases, however, for the sake of protection of retail investors more obligations must be observed. AIF management companies along with the registration requirements and reporting obligations mentioned above, simultaneously have to comply with:

- the rules on the approved depositories pursuant to § 80 et seq. KAGB,
- the rules on permitted assets (§ 261 KAGB contains an exclusive list of assets that may be held) and all linked restrictions thereto (contained in § 261 KAGB et seq.) and
- the general distribution regulations set out in § 293 et seq. KAGB.

Therefore, capital investment companies under German law are not allowed to consider all tangible assets when establishing and launching a closed-ended *public* AIF. As we have seen, specific requirements apply also regarding risk diversification and leverage.

2.1.4 Legal Requirements for Fund Management Companies/General Rules

If no exceptional rule applies and/or no opt-in has been submitted, a fund management company is obliged to comply with the whole set of regulations contained in the KAGB.

First of all, it has to undergo the complete licensing procedure and is not entitled to operate before unrestricted obtainment of a license. In this regard it is interesting to know that fund management companies must be established with an initial capital of at least 300,000 Euros in case of an internal fund management company and at least 125,000 Euros in case of an external management company, § 25 section 1 KAGAB.

The license to operate includes the authorization to distribute shares of the fund. The rules for distribution and supervision, however, must be respected. The standards and restrictions alter in accordance with the type of investors the fund intends to address. The highest protection standards, hence, apply when it comes to sell fund shares to retail investors. In this case, the fund management or marketing company has to provide the potential investor with a fund prospectus containing all relevant information, the investment conditions and the articles of association.

Experienced (semi) professional investors, as well have the right to receive all relevant information to the investment, but usually a private placement memorandum as a basis is sufficient. In contrast to retail investors, though, they are for example entitled to receive also the last annual report. § 307 KAGB contains an extensive list of essential details, which have to be given prior to the investment.

The fund management company is further obliged to mandate an official depository according to § 80 et seq. KAGB, which assumes the role of a controller, examining in particular the validity of asset acquisitions and the cash flow.

The German legislator when implementing the AIFMD introduced not only regulations of the fund management companies but also relatively strict rules concerning the investment products. The intensity of the restrictions varies from fund type to fund type, imposing stricter rules if private investors are involved.

Closed-ended special AIFs consequently are subject to lesser limitations than open-ended special AIFs or closed-ended public AIFs. Closed-ended special AIFs for example are not restricted by an exhaustive list of authorized investment assets like closed-ended public AIFs but may acquire every assets the value of which is determinable. Nevertheless, the fund's assets must be evaluated at least on an annual basis.

Pursuant to § 282 section 1 KAGB open-ended special AIF have to respect the rules for the diversification of risks.

2.1.5 Typical Structure of German Sustainable Funds/Relevant Tax Law Aspects

As has been outlined before, sustainable funds like any other venture capital or private equity fund are usually *closed-ended special AIFs* since shareholders should not be entitled to exit the fund before its liquidation period and ask for redemption of their shares. In Germany, such funds are normally established as a GmbH & Co. KG, if the strategic aim is to accumulate the capital of several important investors, then close the fund, do the investments prospected, administer the portfolio companies, foster their value, distribute dividends and liquidate the fund at a defined point in time.

The core management of the fund is assigned to the limited partner, the KG, whereas the general partner, which is the GmbH, takes over all remaining management duties of the fund. The management duties of the management company have already been outlined under Sect. 2.1.2 above.

The shares in the portfolio companies will fall into the property of the GmbH & Co. KG.

One of the main features of this option is that the GmbH & Co. KG is exempted from trade tax, unless its business surpasses the threshold of asset management and is to be regarded as entrepreneurial. The Federal Ministry of Finance on 16.12.2003 published an official letter containing the relevant criteria to avoid the classification of a business as commercial. The rules are complicated and extensive. Therefore, for the purpose of an overview I limit myself to just representing the main aspects:

- acquisitions may not be made by using leverage, provided that bridge loans are allowed,
- dividends resulting from the sale of assets may not be reinvested,
- the management company may not be entrepreneurially active with regard to its portfolio companies. This is the most ambiguous point since the Federal Ministry

of Finance admits on the one hand that the management company exercises its shareholder's rights but on the other hand holds that if the fund for example involves an incubator delivering important counseling services the criterion of exclusive asset management is no longer fulfilled.[7]

This last aspect is of course quite distressing since a proper coaching of a portfolio company, in particular during its initial period of existence is crucial.

Fund initiators may also opt for a corporation. This is usually the case when the strategical intention of the fund initiators is to realize entrepreneurial aims such as reinvesting dividends resulting from the sale of assets, creating a own shareholder value and possibly an exit by an initial public offering (IPO).[8] The Investment-AG seems to be suitable in this regard.

2.1.6 EuVECA, EuSEF, ELTIF

The European Venture Capital Fund (EuVECA), the European Social Entrepreneurs Fund (EuSEF) and the European Long Term Investment Fund (ELTIF) are fruits of broadly based initiatives of the EU. The European Commission in 2010 launched the "Europe 2020 strategy" which is the EU's agenda for growth and jobs for the current decade. It emphasizes smart, sustainable and inclusive growth as a way to overcome the structural weakness in Europe's economy, improve its competitiveness and productivity and underpin a sustainable social market economy. The Europe 2020 strategy is used as a reference framework for activities at EU and national levels.[9]

These Regulations contain special rules for the designated funds, and therefore the KAGB like any other national statutory law is only subsidiary applicable.

In 2011 the Social Business Initiative followed which aims at introducing a short-term action plan to support the development of social enterprises, key stakeholders in the social economy and social innovation as well as at prompting a debate on the avenues to be explored in the medium/long term. The action plan contains eleven priority measures, focusing on the following topics: making it easier for social enterprises to obtain funding, increasing the visibility of social entrepreneurship and making the legal environment friendlier for social enterprises.[10]

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[7] Weitnauer, Wolfgang (2016), Handbuch Venture Capital, C.H. Beck, p 79 containing more detailed information.

[8] Weitnauer, Wolfgang (2016), Handbuch Venture Capital, C.H. Beck, p 72.

[9] For more details see http://www.ec.europe.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/europe-2020-strategy_en. Accessed on 7 January 2018.

[10] For more details see: http://www.ec.europe.eu/growth/sectors/socialeconomy/enterprises_de. Accessed on 7 January 2018.

EuVECA

The EU after a thorough market analysis in the end came to the result that venture capital funds stimulate economic growth, contribute to the creation of jobs and capital mobilization, support the establishment and expansion of innovative undertakings, increase investment in research and development and foster entrepreneurship, innovation and competitiveness in general. A common framework of rules regarding the use of the designation EuVECA for qualifying venture capital funds, in particular the composition of the portfolio of funds that operate under that designation, their eligible investment targets, the investment tools they may employ and the categories of investors that are eligible to invest in them by uniform rules in the EU had to be created. It was clear that in the absence of such a common framework there is a risk that Member States take diverging measurements at national levels having a negative impact on the proper functioning of the internal market, since venture capital funds which seek to operate across the EU would be subject to different rules in different Member States, preamble to Regulation (EU) no 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (EuVECA Regulation).

Hence, the EuVECA Regulation sets the framework for venture capital funds and their managers to opt for its application and to use the designation EuVECA Fund that serves as passport for all member states of the EU (Member States). These are the principal conditions which must be met:

- *a qualifying venture capital fund*, i.e. a collective investment undertaking situated within the territory of a Member State that intends to invest at least 70% of its aggregate capital contributions and uncalled committed assets capital in assets that are qualifying investments, calculated on the basis of amounts investible after deduction of all relevant costs and holdings in cash and cash equivalents, within a time frame laid down in its rules or instruments of incorporation and that does not use more than 30% of its aggregate capital contributions and uncalled committed capital for acquisitions in assets other than qualifying investments; art. 3 section 2 lit. b EuVECA Regulation;
- *a manager of a qualifying venture capital fund*, i.e. a legal person the regular business of which is managing at least one qualifying venture capital fund; art. 3 section 2 lit. c EuVECA Regulation;
- *a qualifying portfolio undertaking*, i.e. a small or medium sized undertaking which does not employ more than 250 persons and that at the time of the investment is not listed and which is not a credit institution, investment firm, financial holding company or an insurance undertaking, art. 3 section 2 lit. d EuVECA Regulation;
- *qualifying investment*, i.e. primarily equity or quasi equity instruments are admitted, art. 3 section 2 lit. e EuVECA Regulation.
- *maximum assets under management*, i.e. the total assets under management must not exceed the threshold of 500 m Euros[11]

[11]Please note that by the time this chapter was written the text of the EuVECA Regulation still contained this maximum threshold. However, the European Institutions on 28 June 2017 reached a

The shares of EuVECA Funds may be marketed to investors which are considered to be professional in accordance with Section I of Annex II to the Directive 2004/39/EC (MiFID) or to investors which under certain conditions are entitled to request to be treated as professional investors pursuant to Section II of Annex II to MiFID or to other investors that commit to investing a minimum of 100,000 Euros and declare in writing in a separate document from the contract that they are aware of the risks associated with the planned investment.

The designation EuVECA gives the EuVECA management company the opportunity to market the shares in all Member States without being obliged to undergo different admission procedures. The principal requirements are, as we have seen, less limiting and far reaching as the rules for AIFs, at least in Germany where the KAGB applies.

EuSEF

By adopting one of the main proposals of the Social Business Initiative the EuSEF was introduced in 2013 with the Regulation (EU) No. 346/2013 of the European Parliament and the Council of 17 April 2013 (EuSEF Regulation).

Qualified fund managers aiming at establishing a social responsible fund may apply for the designation EuSEF. The prerequisites of such an accreditation are, among others, that the fund must be invested for at least 70% in companies that comply with the conditions set out in in the EuSEF Regulation, i.e. social value-added generation, transparent business practices and subordinate profit distribution. Since the principal objective is to have a positive social impact rather than to maximize profits, the EuSEF Regulation only promotes support for qualifying portfolio undertakings that have the achievement of measureable and positive social impact as their focus. Where, on an exceptional basis profits shall be distributed to its shareholders, rules have to be implemented in order to make sure that such distribution of profits does not undermine the primary social objective of the qualifying social portfolio undertaking.

The benefits for social undertakings are only apparent at a second glance. Because what the European Commission wants to achieve with the EuSEF Regulation are uniform standards throughout Europe, in order to designate corresponding funds as transparent and trustworthy for interested investors. The investment market for social entrepreneurship, which is still very reluctant at the moment, is to be made more attractive.

The EuSEF Regulation follows the same basic standards and conditions concerning the establishment, management and marketing of the funds and their managers

provisional agreement in trilogue on several amendments including the threshold of 500 m Euro; the text of the provisional agreement was adopted by the European Parliament on the 17 September 2017 plenary and by the Council on 9 October 2017. Nonetheless, the amendment (Level 1) of the Regulation itself was still pending.

as those defined by the EuVECA Regulation.[12] The main distinction between the two fund labels is in fact the social impact which has to be followed by EuSEFs, which as a matter of fact requires specific rules.

In this respect, the European lawmaker was wise enough to impose on the mangers of qualifying social entrepreneurships funds to inform their investors prior to the investment decision of the exact positive social target, which is pursued by the investment policy. Furthermore, they are obliged to disclose the methodologies to be used to measure social impacts. This is of course the core information socially responsible investors need.

These and other requirements contained in art. 14 section 1 EuSEF Regulation are complemented by the AIFM's obligation to disclose all information in a clear and not misleading way and to keep it up-to-date and reviewed regularly.

Therefore, the minimum investment also for EuSEFs is 100,000 Euros, which for social responsible funds in particular is rather a high investment threshold.

Market acceptance of EuSEFs but also EuVECA-funds is indeed quite reluctant and this is attributed mainly to the minimum investment threshold for EuSEFs and the maximum assets under management. Interested investors as of today, unfortunately, will find a very limited choice of EuSEF investment possibilities. Hence, the European Parliament on 14 September 2017 decided on amendments to the EuVECA and EuSEF Regulations aiming at improving and simplifying both fund labels by for example lowering the minimum threshold for EuSEF investments to 50,000 Euros. Hopefully, this will make the establishment of EuSEFs and EuVECAs much more attractive.

The positive aspect, in any case is that if a conscious investor finds a EuSEF investment possibility, she can be sure that the fund successfully passed the accreditation procedure and therefore really is committed and obliged to investing in companies that are apt for the social impact purposes defined by the EuSEF Regulation.

ELTIF

The designation ELTIF has been created in order to foster investments in long-term assets such as small and medium-sized enterprises and in the development as well as operation of infrastructure, public buildings, social infrastructure, transport, sustainable energy and communications infrastructure on an EU-wide scale. The Regulation (EU) No. 2015/760 of the European Parliament and the Council of 29 April 2015 on European long-term investment funds (ELTIF Regulation) establishes the minimum requirements which must be met by long-term investment funds to obtain the label ELTIF. The objective of the ELTIF Regulation is to raise and channel capital towards European long-term investments in the real economy, in line with the Union objective of smart, sustainable and inclusive growth, art. 1 section 2 ELTIF Regulation.

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[12]For details see 2.1.6.1.

Hence, ELTIFs are surely interesting investment products for ethical investors who are striving to make an impact through their investment, particularly if such funds are mainly invested in social infrastructure and sustainable energy.

Legally these funds have a safe structure. From all the AIFs created by the EU regulations displayed herein, the ELTIF is by far the most strictly regulated one. The EuVECA Regulation and EuSEF Regulation, for example, provide for an authorization mechanism with respect to the AIF only, not also concerning the management company. In deviation therefrom both ELTIF managers and the fund itself must be authorized as ELTIF by the competent authority, i.e. in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). With regard to the AIFM the authorization constitutes the BaFin's approval to manage an ELTIF.

The ELTIF Regulation in derogation from the EuVECA and EuSEF Regulations contains an exhaustive list of *eligible investments*, of which the most relevant are:

- *qualifying portfolio undertakings* which are not collective investment undertakings or financial undertakings and that are either unlisted[13] or listed with a market capitalization of no more than 500 m Euros, art. 10 lit. (e) and art. 11 section 1 lit. (b) ELTIF Regulation;
- *direct holdings or indirect holdings* via qualifying portfolio undertakings of individual real assets with the value of at least 10 m Euros at the time when the expenditure is incurred, art. 10 lit. (e) ELTIF Regulation;
- *units or shares of other ELTIFs*, *EuVECA funds and EuSEFs*, provided that those funds have not themselves invested more than 10% of their capital in ELTIFs, art. 10 lit. (d) ELTIF Regulation;
- *assets which are eligible assets for UCITS*, which may include by way of example equities, bonds, money market instruments and units of other UCITS, art. 9 section 1 lit. (b) ELTIF Regulation;[14]

  The ELTIF exposure to qualifying portfolio undertakings may include:
- *equity or quasi-equity instruments* issued by a portfolio undertaking, art. 10 lit. (a) ELTIF Regulation;
- *debt instruments issued by a qualifying portfolio undertaking*, art, 10 lit. (b) ELTIF Regulation or
- *loans granted by the ELTIF to a qualifying portfolio undertaking* with a maturity no longer than the life of the ELTIF.

It is important to highlight that ELTIFs may enter into securities lending, securities borrowing or any other agreement which has an equivalent economic effect and poses similar risks if thereby not more than 10% of the assets of the ELTIF are affected, art. 9 section 2 lit. (c) ELTIF Regulation. This accounts for the rather secure structure of these funds. This is why ELTIFs may not use financial derivative instruments for other purposes than hedging the risks inherent to other investments of the ELTIF neither, art. 9 section 2 lit. (d) ELITF Regulation.

[13] Not admitted to trading on a regulated market as defined by art. 2 section 18 ELTIF Regulation.

[14] Art. 9 section 1 lit (b) ELTIF Regulation refers to art. 50 section 1 of Directive 2009/65/EC.

Furthermore, ELTIFs are subject to much severer provisions on investment policies than the other European fund structures described under this Section 2.1.6. An ELTIF must invest at least 70% of its capital in *eligible investment assets*, art. 13 section 1 ELTIF. It is entitled to invest up to

- 10% of its capital in instruments issued by, or loans granted to, any single qualifying portfolio undertaking, art. 13 section 2 lit. (a) ELTIF Regulation,
- 10% of its capital directly or indirectly in a single real asset, art. 13 section 2 lit. (b) ELTIF Regulation,
- 10% of its capital in units of any single ELTIF, EuVECA or EuSEF, art. 13 section 2 lit. (c) ELTIF Regulation and
- 5% of its capital in eligible assets for UCITS, where those assets have been issued by any single body, art. 13 section 2 lit. (d) ELTIF Regulation.

Simultaneously, ELTIF cannot acquire more than 25% of the units or shares of a single ELTIF, EuVECA or EuSEF, art. 15 section 1 ELTIF Regulation. The ELTIF may raise the 10% limit on investments in qualifying portfolio undertakings and in individual real assets to 20%. This requires though that the aggregate value of the asset held by the ELTIF in qualifying portfolio undertakings and in individual real assets in which it invests more than 10% of its capital, does not exceed 40% of the value of the capital of the ELTIF, art. 13 section 5 ELTIF Regulation.

Generally, ELTIFs are constructed as closed-ended funds and therefore investors are not entitled to request the redemption of their shares before the end of the life of the ELTIF. Redemptions to investors become possible from the day following the date of the end of the life of the ELTIF, art. 18 section 1 ELTIF Regulation.[15] The life of the ELTIF shall be in line with the long-term nature of it and shall be sufficient in length to cover the life-cycle of each asset, art. 18 section 3 ELTIF Regulation.

ELTIFs are subject to strict transparency and marketing rules. The publication of a prospectus prior to the marketing of the shares or units is mandatory, art. 23 ELTIF Regulation. Such prospectus is required to include all information necessary to enable investors to make an informed assessment regarding the investment proposed to them and, in particular, the risks attached thereto. The main points the prospectus has to contain are:

- a statement setting out how the ELTIF's investment objectives and strategy for achieving those objectives qualify the fund as long-term in nature, art. 23 section 3 lit. (a) ELTIF Regulation;
- the same fundamental information as what has to be disclosed by closed-ended UCIs in accordance with Directive 2003/71/EC and Regulation (EC) No 809/2004, art. 23 section 3 lit. (b) ELTIF Regulation;
- a prominent indication of the categories of assets in which the ELTIF is authorized to invest, art. 23 section 3 lit. (e) ELTIF Regulation;
- a prominent indication of the jurisdiction in which the ELTIF is allowed to invest, art. 23 section 3 lit. (f) ELTIF Regulation;

[15]Under certain conditions premature redemptions are possible. For further details consult art 18 section 2 ELTIF Regulation.

- prominently inform investors about the illiquid nature of the ELTIF, art. 23 section 4 ELTIF Regulation;
- state the specific date for the end of the life of the ELTIF and any right to extend temporarily the life thereof, art. 23 section 4 lit. (b) ELTIF Regulation;
- explain the rights of investors to redeem their investment, art. 23 section 4 lit (d) ELTIF Regulation;
- state the frequency and timing of any distributions of proceeds to investors during the life of the ELTIF, art. 23 section 4 lit. (e) ELTIF Regulation;
- inform investors about the risks related to investing in real assets, including infrastructure, art. 23 section 4 lit. (h) ELTIF Regulation.

Concerning the categories of assets in which the specific ELTIF is allowed to invest, impact investors are recommended to have a close look at the portfolio assets outlined in the prospectus, especially with respect to the selection criteria applied.

The specific feature of ELTIFs is that they may be marketed in their home Member State or in other Member States to professional and *retail investors* likewise. However, where the management company intends to market the ELTIF to retail investors, for protection reasons additional requirements apply, which are even stricter than the rules laid down by the KAGB for German national fund products.

It is worth mentioning for example the requirement of a suitability test: the AIFM when offering shares of an ELTIF to retail investors are obliged to obtain information concerning the retail investor's knowledge and experience in the investment field relevant to the ELTIF, her financial situation, including the investor's faculties to bear losses. Based on the information disclosed, the AIFM of the ELTIF is entitled to recommend the ELTIF to such an investor only if it is suitable for her particularly.[16]

2.2 *Investment in Cooperatives*

There is a great variety of cooperatives with missions focused on environmental, social, cultural and economic impact to invest in worldwide. Such investments, of course, normally are not aimed at maximizing the investment return and consequently are suitable for socially responsible investors who set a focus on supporting select cooperative businesses not counting primarily on the profitability of the investment. Typically, cooperatives are categorized by their branch and function and socially responsible investors may choose which sector is of their interest.

Cooperatives under German law are legal entities, which are owned and in some cases operated by their members, § 17 German Cooperative Societies Act (GenG). Through their membership, the members participate in the profit and loss of the cooperative, § 19 GenG.

Concerning their financing, cooperatives depend on the capital contributions of their members, the membership-fees, further debt and equity investments of their members and in some cases on non-member investments.

[16]For further details consult Chapter V ELTIF Regulation.

At least in Germany it is feasible to admit members who are not interested in making use of the cooperative's products or services and therefore simply want to support the cooperative financially, § 8 section 2 GenG (non-using members). However, it is possible to exclude the voting rights of non-using members completely. One may therefore reasonably doubt as whether cooperatives that make use of this exclusion right could still attract such investors.

So, if a socially responsible investor is interested in fostering a particular cooperative by becoming a non-using member, she is well advised to check on this aspect explicitly.

As far as the cooperative campaigns for new members—whether it be using or non-using members—by itself, it is exempted from the obligations set out in the respective capital market regulations and thus is neither obliged to disclose a prospectus nor a public placement memorandum or other documents prior to the investment. Any acquisition activity in the direction of non-member investors, though, is subject to the capital market regulations.

That is why it is quite complicated for cooperative businesses to cover their ongoing capital needs without incurring high costs for promotion activities for outside investors. The German legislator through a recent reform of the Cooperative Societies Act[17] is trying to give remedy to this difficult situation. The cooperative may now accept member loans in certain limits for the purpose of financing or modernizing property pertaining to its long-term assets.[18]

Since not all cooperatives are likewise suitable to be financed, either because of their particular structure or the availability of collateral, special due diligence is required where specialized technical assistance is crucial.

Every interested investor must know that the investment into a cooperative business by becoming a member is a particular long-term investment, because the member's capital share is not freely marketable, but can only be transferred to other members, § 76 section 1 GenG. Also due to this it is most important to check the respective investment target thoroughly in all respects, legally, technically and of course from the point of view of its sustainable standards.

2.3 Crowdfunding

Crowdfunding, originating from the USA, has become also in Europe a well-known and handy tool for start-ups or companies in their early stage to collect capital via an online platform from a crowd of investors. The advantage of this kind of investment is that the single investor is not exposed to the risk of covering all the financing requirements of a particular start-up, but may participate together with other investors (the crowd) with a relatively little investment at the potential success of the business.

[17]Introduced by the Statutory Law on reducing bureaucracy and promoting transparency in cooperatives, Federal Law Gazette Volume 2017 Part I no. 48, issued in Bonn on 21 July 2017.

[18]Beuthien, Volker Prof. Dr., Zur Genossenschaftsreform (2017), NZG: 1248.

The crowd consequently shares the risk of loss, too. Hence, start-ups can more easily attract investors and satisfy their financing needs.

As attractive as it might seem, from a legal standpoint not every start-up should be apt for crowdfunding, especially because detailed information on the business idea have to be published online. Therefore, in particular complex business ideas, maybe with a high-end scientific background or which require utmost confidentiality, could not be suitable.[19]

As for sustainable investments, today there already exists a good choice of crowdfunding internet platforms focusing on impact investments, which offer exclusively investments in sustainable businesses from sectors such as environment, green energy, green mobility and health.

Impact investors therefore may choose from quite a variety of crowdfunding possibilities and select which sustainable business they would like to support. Usually investors on those platforms will find investment opportunities in the form of *subordinated patriarchal loans*, with a term of at least five to seven years, after which the loan may be terminated annually. In most cases the investor is entitled to terminate the loan extraordinarily in case of a sale of the company. The reimbursement of the loan is normally constructed as if the lender effectively became a shareholder, applying a low interest rate but the investor's entitlement to potential dividends.[20]

Depending on the valuation of the company, every loan amount is allocated a certain quota of participation, which is adjusted in the event of capital increases according to a dilution calculation. In addition to a fixed interest rate, the investor will receive a so-called *bonus interest rate* in case of termination and sale as if she were entitled to participate in the share of the exit proceeds with that rate. With respect to receivables from the loan, be it for repayment or payment of bonus interests, a *qualified subordination* is being agreed so that these receivables may not be claimed if such a claim would lead to a cause for insolvency or if repayment is not possible from unrestricted assets or an annual or liquidation surplus.[21]

Providers are required to respect particular rules aiming at investors' protection. The German legislator after several years of grey investment market without explicit rules made sure that investors obtain all relevant information on the investment and the risks linked thereto.

In 2015 a new law led to the addition of patriarchal loans and subordinated loans to the investments defined in § 1 of the German Capital Investment Act (VermAnlG). Hence, providers of such investments are also subject to the prospectus requirement prescribed in § 6 VermAnlG, unless the prerequisites of the exemptions of § 2 a VermAnlG, which was introduced especially for crowdfunding platforms, are fulfilled:

- investments are exclusively placed by way of investment brokerage via an Internet service platform,

[19] Schmitt, Christoph Dr./Doetsch, Matthias Dr., Crowdfunding: neue Finanzierungsmöglichkeit für die Frühphase innovativer Geschäftsmodelle (2013), BB: 1452.

[20] Schmitt, Christoph Dr./Doetsch, Matthias, Crowdfunding: neue Finanzierungsmöglichkeit für die Frühphase innovativer Geschäftsmodelle (2013), BB: 1453.

[21] Weitnauer, Wolfgang, Handbuch Venture Capital (2016), C.H. Beck, p. 221.

- which is obliged by law or regulation to examine whether the total amount of investments of the same issuer which can be acquired by an investor who is not a corporation does not exceed the following amounts:
  1000 Euros or 10,000 Euros, provided that the investor in question has freely available assets in the form of bank balances and financial instruments of at least 100,000 Euros in accordance with a self-assessment report to be provided by him, or twice the average monthly net income of the investor in question, based on a personal statement to be provided by the investor, but not more than 10,000 Euros.

In case the exemptions apply, providers of patriarchal loans or subordinated loans over an internet platform are only obliged to publish a so-called *investment information sheet*; § 13 VermAnlG. Consequently, also start-ups searching investors through crowdfunding online-platforms are obligated to produce and issue an investment information sheet, which in accordance with § 13 section 3 VermAnlG has to contain amongst others the following basic data:

- investment provider and issuer;
- investment structure and form;
- investment object;
- investment strategy and policy;
- time to maturity, termination period and conditions of interest payment and repayment;
- investment risks;
- prospects for capital repayment and returns;
- fees and commissions.

The investment information sheet must furthermore contain a clear warning in bold letters stating that the investment carries considerable risks and may lead to a complete loss of the assets invested, § 13 section 4 VermAnlG.

Such basic information under investors' protection considerations is crucial and simultaneously puts the investor in the position to assess the investment risks relatively thoroughly.

Concerning the sustainability of the investment, impact investors are recommended an in-depth analysis of the investment object and of the sustainable standards which shall apply, and how these standards are planned to be implemented and their observance be surveyed.

The online service platforms I controlled offered all overviews on the start-up, its business idea and gave access to the business plans, after registration though. The quality of the information in terms of sustainable standards differs significantly. If substantial information is lacking, it is advisable to inquire more details and challenge comprehensive responds from the start-up or the platform providers before placing the investment.

3 Active Investment Approaches

Let us now have a closer look at rather active investment approaches where the investor in comparison to passive investment concepts is much more involved throughout the entire investment period. Investments of this kind require experienced investors who know of the general difficulties of the screening and controlling processes of such investments and who have already accumulated sound negotiating skills.

However, one thing is clear: if conscious investors want to have an impact by leaving a personal signature, they surely will want to be involved directly and not leave the core duties to an investment manager. There is a great number of possibilities to promote sustainable businesses actively. Due to the limited space, I decided to focus on two alternatives, which I consider most relevant.

3.1 Investments in Sustainable Start-Ups

If one intends to influence the change of an entire system, it is generally good to start with the basis and therefore the promotion of young businesses, which commit to sustainable standards, is crucial. In fact, there are many young entrepreneurs thriving to develop business ideas, which follow ecological and ethical standards. But simultaneously it is a complex task to select the right business ideas and determine not only the market value and the profitability of an investment but also whether or not the entrepreneurs behind it have already reached a sufficient level of consciousness to actually implement sustainable standards.

During the selection process, investors will have to analyze the *business plan* before starting an in-depth due diligence. The business plan is the calling card of the target company and the founding partners need to work on it thoroughly and provide detailed information which today is market standard. Therefore, the business plan must contain exhaustive information on the business idea (product and/or technology), the company, the founders or entrepreneurs, the market, on the commercial figures including financial budgeting and, most importantly, on how the implementation of sustainable standards should be realized and secured after the investment. Where intellectual property is involved, the respective (future) intellectual property rights and/or patents have to be described in the business plan as well as how these rights will become part of the company assets and be guaranteed.

If this basic information is missing, it is recommendable not to continue talks with the entrepreneurs behind it, since such an insufficient approach is a clear sign for a lack of reliability on the side of the entrepreneurs, which is needed to make the investment a success. So, even if the target-company should cover the due diligence costs it will most certainly be a waste of time.

Even though the business plan might be convincing, it is highly recommended to hold personal conversations with the entrepreneurs in order to obtain a clear impres-

sion of their personality and integrity and to have comfort regarding the actual implementation of the sustainable targets. Since this is a crucial but simultaneously a very difficult task professional assistance will be required. You will find experts capable of determining the level of consciousness mandatory for the adherence to such high-level sustainable standards on a continuing basis. As mentioned in the introduction, you can also work on your own proficiency in this field by undergoing professional leadership transformation training along with a commitment to a personal development path.

Only if the result of your preliminary evaluations is positive, I advise to proceed with a thorough legal, financial, commercial and business due diligences, which follow market standards.

3.1.1 Important Legal Aspects of Sustainable Start-Up Investments

Start-ups are usually founded in the legal form of a limited liability company (GmbH under German law) and rarely in the form of a stock corporation. The reasons are many, in particular, stock corporations are more regulated than limited liability companies and their foundation involves higher costs, like for example a capital contribution of at least 50,000 Euros, § 7 German Stock Corporation Act (Aktiengesetz—AktG), just to mention one major difference.

Another reason why stock corporations are not the ideal legal form for start-ups is because stocks are admitted to restrictions on their transferability in a limited way only. Since investors should have an interest in establishing regulations that prevent undesired share- or stockholders from entering the company and thereby changing the shareholding proportions, restrictions on transferability are essential. However, if the target company is a stock corporation investors are recommended to make sure that its stock portfolio is exclusively composed of registered stocks as only registered stocks may be restricted in their transferability by a mandatory prior consent of the company, § 68 section 2 AktG.[22]

Shares in a GmbH, by contrast, may be submitted to any kind of restrictions with full legal effect vis-à-vis every third party, § 15 section 5 Limited Liability Companies Act (GmbHG).[23]

The following statements will hence focus on investment targets in the legal form of a *German limited liability company (GmbH)*.

The main concern after a successful due diligence work, which resulted in a vote in favor of an investment, before signing and effectively doing the investment should be to negotiate and secure *fundamental investor's rights*. This includes in particular the investor's rights to obtain access to information and to control the respect and implementation of the investment goals agreed upon with the entrepreneurs.

Three legal documents are of relevance: the *articles of association*, the *investment agreement* and the *shareholders' agreement*.

[22]Hüffer/Koch (eds), Aktiengesetz (2016), C.H. Beck, § 68, marginal 11.

[23]Reichert/Wellert in: Münchener Kommentar GmbHG (2015),C.H. Beck, § 15, marginal 404.

The *articles of association* is the "constitution of the company" and one of the mandatory founding documents of a GmbH, which in accordance with § 3 section 1 GmbHG has to contain at least the following elements:

- the name of the company and its registered office;
- the business object;
- the amount of share capital;
- the number of nominal amounts of the shares that each shareholder receives in return of a contribution to the share capital (capital contribution).

In addition to this obligatory minimum content, § 3 section 2 GmbHG provides for the possibility of agreeing on optional provisions. These are regulations which, although not being mandatory elements of the articles of association, can only be made with effect for and against the company and future members in the articles of association.[24] These optional provisions concern the company's fundaments, its relationship with the company's shareholders and the legal status of its governing bodies, they apply beyond the scope of the parties to the deed of incorporation and, as the constitution of the company, are also relevant for later shareholders and creditors.

All other, not corporative aspects, which not mandatorily have to be contained in the articles of association, should be included in either the investment agreement or the shareholders' agreement since those agreements, unlike the articles of association, do not have to be made public through the Companies' Register.

The *investment agreement* is a contract between the target company and the entrepreneurs on the one hand and the investor on the other where basic agreements between the parties are summarized. The motivation to enter into comprehensive investment agreements is, as has been said, based on the intention to avoid the publication of core covenants in the Companies' Register. The investment agreement therefore contains all aspects, which do not have to be included in the articles of association and are relevant for a successful investment.

One of the primary provisions to be taken into account is the e*ntrepreneurs' obligation to increase the capital* of the GmbH and to accept the investor as a shareholder. In German legal writing it is discussed whether or not such agreements are subject to notarization. The prevailing and correct opinion holds that no notarization is required.[25]

However, since the investment agreement should in any case contain (call- and/or put-options) and tag-and/or drag-along clauses which unequivocally require notarization I recommend to notarize the investment agreement in any case.

Considering the importance of the full implementation of the sustainable goals conscious investors cannot accept any compromise whatsoever and therefore have to make sure that they are fully informed at all times on all relevant issues of the business and are entitled to exercise effective controlling rights.

[24]Wickert in: Münchener Kommentar GmbHG (2015), C.H. Beck, § 3, marginal 3.

[25]Lieder in: Münchener Kommentar GmbHG (2016), C.H. Beck, § 55, marginal 157.

Under German law the liberty to extend the rights of a single shareholder is notable[26] and sustainable investors are well advised to make maximum use of these possibilities. It is for instance indispensable to secure further information rights than those already attributed by statutory law and define them precisely. Furthermore, since start-up investors for different reasons should acquire only minor portion of shares (not more than 25%), they should insist on disproportionate voting rights in order to secure their predominant power in the shareholders' meetings and foster their powerful position by introducing rights of approval to shareholders' resolutions and veto rights.

It is likewise recommended to establish rights to issue instructions vis-à-vis the management. Explicit instructions in some cases might be the only remedy to guarantee the observance of sustainable standards and to push the respective correct managerial action. I advise in any case to define such instruction rights as exactly as feasible. Since the success of a sustainable start-up investment very much depends on the integrity and skills of the management team the investor should moreover be entitled to propose the managing director.

The investor's rights with respect to the management and the shareholders' meeting described above are fundamental for the control of the investment and should therefore be implemented in any sustainable start-up investment. Every investor should be aware of the fact that the intelligent and comprehensive definition of her information rights forms the basis of all the following rights, because only a completely and timely informed investor can avail herself effectively of all the other rights.

At least in Germany, a particular focus should be made on the determination of whether those investor's rights can be included into the investment agreement or mandatorily have to be contained in the articles of association. The reason underlying this advice is that legally there is a distinction between *special benefits* and *special rights*, whereas special rights only have to be included in the statute if assigned in connection with the company's foundation.[27]

The complexity of these legal issues requires in any case expert legal advice. If you should act without legal assistance, which is certainly not market standard, I recommend, in order to be on the safe side, that those rights are integrated in the articles of association. In any case, it is nothing which absolutely has to be kept secret from the public.

The investor is obliged to provide for sufficient equity capital. In most cases the provision of capital will consist in additional payments into the capital reserves of the company or in subordinated loans. As in any other start-up investment, also in sustainable investments, it is advisable to avoid agio-payments and instead opt for alternative financing methods. Particularly during the early stage *convertible loans* are practical instruments.

[26]Liebscher in: Münchener Kommentar GmbHG (2016), C.H. Beck, § 45, marginal 128.

[27]For more details on the dispute see Wicke in: Münchener Kommentar GmbHG (2016), C.H. Beck, § 3 marginals 118/119; Fastrich in Baumbach/Hueck (eds) (2017), C.H. Beck, § 3 marginals 45/46 and Weitnauer, Wolfgang, Handbuch Venture Capital (2016), C.H. Beck, p. 340.

In any case and for any type of financing tool, I recommend to make use of the market-standard stage financing system which links each further payment to the achievement of particular goals, so-called milestones. It is obvious that this can be, if used intelligently, an effective tool for sustainable investors. The conditions in that case could be directly linked to the achievement of particular sustainable goals or part thereof. It is recommended to make sure that conditions are defined exactly and stipulated in the investment agreement. Their content, of course, differs from case to case but some fundamental aspects should be respected as a rule:

- the next financing step should be strictly linked to the fulfillment of all the conditions defined;
- a deadline should be added;
- the payment should be made subject to the absence of any breaches of guarantees given by the entrepreneurs and other material circumstances which could be regarded adverse to the successful continuation of the business;
- the determination of the fulfillment of all conditions should be delegated to an independent expert, the expertise of which naturally depends on the kind of conditions he or she will have to assess.

If the GmbH has an advisory board, which not always and necessarily has to be the case, particularly during the early stage, the investor should secure her rights of appointment of the members and/or as her interests may be, the right to become a member herself. Especially in the context of sustainable investments, such observers can assume a crucial role by intensifying the control on the management of the company regarding the implementation of the sustainable investment goals.

It is customary that the entrepreneurs or current shareholders provide guarantees on legal and regulatory matters as well as on certain business issues like correctness of financial figures and unrestricted intellectual property rights. Impact investors may evaluate whether it is reasonable to insist on guarantees regarding the sustainable goals pursued by the investment. This is quite theoretical and depends completely on the single case and if these aspects are at all suitable for a guarantee.

Being start-ups it is obvious that the entrepreneurs behind it who are seeking financial support for their business ideas, due to their limited personal fortune will not be in the position to pay for damages incurred in larger amounts. It is nonetheless important to insist on guarantees, in fact from a psychological perspective. It will certainly enhance the commitment of the entrepreneurs to effectively fulfill the undertakings agreed upon with the investor.

Consequently, it is equitable to accept liability caps for the current shareholders.

If the investor wants to obtain at least a certain degree of economic protection for herself, a remedy could be to implement a clause into the investment agreement whereby the current shareholders in the case of a breach of the representations and warranties undertake to resolve in favor of a share capital increase, the so-called *guarantee share capital increase*. The scope of such a capital increase is to adjust the investor's original valuation whereby she underwrote her shares. The technique applied consists in the investor's exclusive right to underwrite so many new shares

in order to economically reach a position as if she had made the investment decision having been fully informed of the correct facts and thus by investing a lower sum.[28]

Further details concerning the relationship between the investor as a new shareholder and the existing shareholders usually are stipulated in a separate *shareholders' agreement*, which in Germany is not subject to publication in the Companies' register. The contents of such an agreement is manifold. It is common to include vote-binding rules especially for amendments to the articles of association, detailed agreements on the business policy, on the distribution of dividends as well as on the composition of the company's bodies and the remuneration of their members.[29] Sometimes the rules guaranteeing the composition of the shareholders such as put- and call options are also to be found in shareholders' agreements and not in the respective investment agreement. There is no strict rule, but in any case investors are recommended to make sure that those regulations are being fixed in one of those agreements.

3.2 Major Stockholding Investments and Shareholder Activism

Great challenges are inspiring and therefore conscious investors will be glad to direct their efforts toward investments of the highest impact. As has been said before, investments in sustainable start-ups are important but it is crucial that we thrive to transform also major stock corporations by improving their existing conditions in an ever more socially and ethically responsible direction. I know that this sounds radical, but frankly speaking, the daunting challenges the world currently is facing require drastic, ambitious actions aiming at reshaping our global industry structures.

Consequently, impact investors having the means and the possibilities to perform high-scale investments should for example consider significant stockholding investments in stock corporations, which as of today do not comply with sustainable standards. It will of course not be easy to determine which corporation could be the suitable investment target and especially how to obtain access to a majority stock portion particularly as an impact investor (since impact investors are more challenging than regular financial investors), but there are different legal alternatives and smart ways that should be analyzed in any case.

So, why is it important to acquire a majority stock portion or at least a significant one? The answer is quite simple. The transformation of a company philosophy and its direction requires power and influence. The main instrument of every stockholder is her *voting rights* which grow with every stock assigned to the stockholder, § 12 German Stock Corporations Act (AktG). Therefore, the more shares one owns the more impact the shareholder has in the general meeting. Alongside with that every stockholder is entitled to inquire during the general meeting detailed information

[28]Weitnauer, Wolfgang, Handbuch Venture Capital (2016), C.H. Beck, p. 357, marginal 141.

[29]Wicke in: Münchener Kommentar, GmbHG (2016), C.H. Beck, § 3 marginal 131.

with regard to the business, provided that such inquiry is reasonable and necessary in order to evaluate a particular aspect contained in the agenda, § 131 section 1 AktG.

Stockholders furthermore may apply for the convocation of the general meeting if the applicants in total represent at least 20% of the corporation's capital, § 122 section 1 AktG. The shareholders representing this amount of shares or proportionately reach the capital amount of 500,000 Euros are likewise entitled to claim that certain topics relating to the business and the corporation be set on the agenda and be published, § 122 section 2 AktG. In these occasions, the shareholders are recommended to see to formulate aspects of far reaching impact and well-elaborated resolution proposals.

In Germany stockholders also have the possibility to invite the other shareholders in a specially dedicated section of the Bundesanzeiger (which is the official publication of the Federal Republic of Germany published by the Federal Department of Justice and which is comparable to the Federal Register of the USA) to jointly submit a particular motion or to exercise their voting rights during the general meeting in a coordinated way, § 127 a AktG.

There are several further rights which may be used in extreme situations like the general meeting's right to withdraw its confidence in the executive board, § 84 section 4 AktG, but these are all tools for solving really existential issues and are not generally useful as a strategic instrument for stockholders. Impact investors can simply not focus their strategy on such instruments.

Even though the general statutory shareholder rights offer interesting alternatives for impact investors to promote certain ethical goals, they do not really empower to foster a breakthrough in the general business politics of the company; at least it will be difficult to use them for that purpose. One reason is that every initiative pursued to achieve particular ethical or in general sustainable scopes requires a coordinated resolution of the general meeting. And it has always been proven to be difficult to convince other people of one's own ideas. Another reason is that these statutory shareholder's rights are strictly linked to the general meeting and therefore do not give a single shareholder the right to influence the executive board directly and on a more regular basis.

The executive board, at least under German law, is the most important corporate body, since it manages the company and as such is entitled to decide on the most important business matters on a day to day basis, § 76 AktG. Contrary to other legal systems, German corporate law has not implemented a hierarchical structure in the sense that the general meeting is competent to decide generally on fundamental issues or exercise automatically rights of approval and/or veto rights. The general meeting pursuant to § 119 AktG can, in principle, only pass resolutions in the cases expressly determined by law and is not entitled to make decisions on its own initiative or interfere with the competences of other corporate bodies.[30] The same applies to the executive board, since the statutory assignment of the corporate competences in accordance with § 23 section 5 AktG is mandatory.[31]

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[30]See Hoffmann in Spindler/Stilz (eds), Aktiengesetz (2015), C.H. Beck, § 119, marginal 1.

[31]Limmer in Spindler/Stilz (eds), Aktiengesetz (2015), C.H. Beck, § 23, marginals 28, 29.

Therefore, we can hold that in order to have a real impact on the business policy and philosophy it is crucial to be in the position to influence the management effectively.

In recent years a phenomenon called *shareholder activism* became famous which refers to minority shareholders putting pressure on the corporation's management by using their shareholder's rights but also by campaigning through social media, greenmailing etc. Although it cannot be denied that such initiatives often are successful and hence could be used for honorable purposes as well,[32] a more strategic approach, which leads to a lasting transformation of the management in an ethical sense, surely is nonetheless the preferred option.

The acquisition of significant or even majority stock portions automatically entails more power. However, more far reaching competences of the impact investor vis-à-vis the executive board should be negotiated.

In legal practice, several forms of possible agreements between the executive board and an anchor shareholder have become common such as *investor's agreements* and *business combination agreements*.

In most cases the executive board commits itself vis-à-vis the anchor shareholder or future anchor shareholder (as the case may be) to exercise its management competence in a certain way and by doing so accepts restrictions to its comprehensive management rights in accordance with § 76 and § 77 AktG. The investor on his part by way of a tradeoff usually undertakes to follow e.g. the rule not sell her stocks without the consent of the company for a certain time. However, this is not mandatory and the parties may stipulate an exclusive obligation of the executive board only.[33]

For impact investors such an agreement with the stock corporation represented by the executive board—be it an investor's agreement stipulated contemporaneously with the acquisition or a business combination agreement concluded before publication of an offer—is crucial. I recommend making sure that the sustainable standards which in the singular case shall be implemented, are defined unequivocally in detailed guidelines as well as, generally, the suitable management measures which have to be taken along with the implementation. The investor should simultaneously insist on direct information rights to avoid being obliged to inquire relevant facts in the general meeting only.

Likewise important is the investor's rights to obtain direct access to the management in order to express her respective position concerning the defined sustainable goals anytime.

However, especially in Germany investors have to consider some aspects to avoid negative surprises of different kind. As has been explained above, German Stock Corporation law adapted a horizontal structure, which does not assign a superior position to the general meeting. Hence, in legal writing it is disputed whether con-

[32]For more information on shareholder activism see Bunz, Thomas Dr., Vorbereitungs- und Reaktionsmöglichkeiten börsennotierter Unternehmen auf Shareholder Activism (2014) NZG: 1049, who describes the phenomenon from the perspective of the corporations.

[33]Otto, Hans-Jochen Dr., Obligatorische Bindungsverträge zwischen Aktionär und AG-Vorstand über die Ausübung von Mitgliedschaftsrechten und Organkompetenzen (2013), NZG: 934.

tracts containing restrictions to the executive board's management rights are legally valid due to a breach of the mandatory competence structure of the corporate bodies.

To illustrate the core issue, I would like give you the following example:

According to a recent decision of the Landgericht (District Court) Munich confirmed by OLG (Regional Appeal Court) Munich a business combination agreement between the corporation and the controlling company, according to which the executive board may not, without the consent of the controlling company, make use of authorized capital nor may it support the issue of stock options or similar instruments, nor may it sell or acquire any part or all of its own shares or new treasury shares, is incompatible with the division of duties between the executive board and the shareholder, and leads to a reduction in accordance with § 134 BGB (German Civil Code) to nullity.[34] In this ruling, the business combination agreement was stipulated in connection with a controlling and dividends distribution agreement that was impugned by the other shareholders.

This case might be extreme but it illustrates well how the executive board cannot validly renounce to its *essential rights* or commit to binding management measures on *fundamental issues* concerning the corporation.[35] As it seems a prevailing opinion in recent legal writing limits the nullity of such agreements to the cases where the *core of the management rights* is affected, especially where the binding effect is equivalent to a controlling agreement.[36] Reliable case law is missing.

Consequently, the formulation of the commitments of the executive board in an investor's or business combination agreement is a complicated task and a special focus needs to be made thereto. Abstract but still clear wordings avoiding touching the core management rights assigned by statutory law, however still guaranteeing the required influence, are substantial.

Furthermore, it is crucial to avoid that such agreements are stipulated *in connection with a controlling agreement* or trespass the threshold of being interpreted as such. This aspect is of utmost importance since only the assumption of such a legal connection empowers the other shareholders to challenge the resolution of the general meeting approving the controlling agreement due to legal deficiencies of the investor's or business combination agreement.[37]

As you will have noted, there are many smart options to implement a sophisticated structure that empowers conscious investors to make a significant impact. And this is what we urgently need.

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[34] Koch in Hüffer/Koch (eds), Aktiengesetz (2016), C.H. Beck, § 76, marginal 41.

[35] Koch in Hüffer/Koch (eds), Aktiengesetz (2016), C.H. Beck, § 76, marginal 27.

[36] Koch in Hüffer/Koch (eds), Aktiengesetz (2016), C.H. Beck, § 76, marginal 41a.

[37] Otto, Hans-Jochen Dr., Obligatorische Bindungsverträge zwischen Aktionär und AG-Vorstand über die Ausübung von Mitgliedschaftsrechten und Organkompetenzen (2013), NZG: 936.

4 Concluding Remarks on the Impact of Artificial Intelligence to Investments

In my opinion, it is impossible to write about Sustainable Investment law or investments in general without making at least some remarks on the challenges caused by Artificial Intelligence (AI). It is clear that AI will arrive on the mass market in the years to come. Many businesses as of today already rely on AI systems in key tasks such as screening, assessing credit worthiness or insurance related issues. Likewise, consumers are already communicating with robots like Siri and Alexa on a daily basis.

As robot technology is evolving on a rapid path and the capacity of AI to make decisions on its own is enhancing, the call for regulation grows. Prominent figures like technology entrepreneur Elon Musk stress the urgency of the matter and highlight the substantial threats connected to robot technology. Mr. Musk even holds that AI represents an "existential threat to humanity".[38]

On the other hand, a report published in 2016 by a Stanford University group founded by Eric Horvitz, a Microsoft researcher, came to the conclusion that "attempts to regulate AI in general would be misguided, since there is no clear definition of AI (it isn't any one thing), and the risks and considerations are very different in different domains".[39]

I disagree. Not that I could already give a solution to this complex issue, but my position as a lawyer is firm. AI of course will have to be subject to the same set of regulations that are applicable to us humans using computers and programming them. Since the application of existing laws is surely not sufficient, tailor made rules must be elaborated which are capable of containing the risks outlined by technology specialists, whilst fostering and certainly not blocking technological progress. All this naturally on a global scale, since a regulation on national levels only would not efficiently confront the risks already individualized.

We certainly cannot leave this task to the tech giants, which apparently have formulated a joint commitment to creating a standard of ethics around the creation of AI,[40] although this is certainly a positive initiative, which is to be appreciated.

Why is all this relevant for impact investors? Impact investors should be interested not only in an ethical conduct of the management of their investment target but also in a technological development, which follows strict ethical rules. But apart from that, there is a simple economic aspect to the issue.

The massive introduction of AI based technical devices will have a fundamental impact on the global economic structure as a whole. Investors generally should therefore have a strong interest in well-drafted regulations of AI, just to secure their

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[38] Etzioni, Oren, How to Regulate Artificial Intelligence (2017), The New York Times, 2 September 2017: A 19.

[39] Markoff, John, How Tech Giants Are Devising Real Ethics for Artificial Intelligence (2016), The New York Times, 2 September 2016: B 1.

[40] Markoff, John, How Tech Giants Are Devising Real Ethics for Artificial Intelligence (2016), The New York Times, 2 September 2016: B1.

investments. For impact investors there is also the issue that well selected sustainable investments could become unethical only due to the introduction of an AI device, which for example has not been programmed ethically and therefore does not act accordingly.

Therefore, as a conclusion we should not ask whether AI can be regulated, but how.

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Jens' business focus is international. He has a sophisticated and exclusive network of leading law firms, tax consultancies and auditors, credit institutions and M&A advisors on an international scale. He built up an Italian desk offering highly specialized, multi-lingual services on all aspects of Corporate and Commercial law in both Germany and Italy. Jens has been admitted to the bar association of Milan since 2009. In Italy, he is a co-author of ilsocietario.it, a leading edge online platform on Corporate law of the publisher Giuffrè Lefebvre.

Jens' approach is integral. He strongly believes in the integration of psychological skills in the work of a high-level lawyer. This is why Jens completed a two-year Core Energetics® intensive training in personality development and psychological coaching. Core Energetics® is a psychotherapy method certified by the EABP (European Association for Body Psychotherapy), EAP (European Association for Psychotherapy) and DGK (Deutsche Gesellschaft für Körperpsychotherapie). The skills he has been trained in fundamentally enhance his negotiation strategy.

Through his personal commitment to the promotion of the necessary paradigm change in the investment industry where investors strive to achieve the ambitious COP21 and the Sustainable Development Goals of the UN Agenda 2030, Jens began working with socially and environmentally oriented investors and entrepreneurs. He is currently elaborating ways on how best to blend impact into traditional corporate forms, particularly corporations, through use of protective provisions, shareholder agreements and information rights, through language ensuring mission focus and reporting.

Jens is a participant of Singularity University Global Summits where he is getting acquainted with the latest developments of exponential technologies and the digital transformation in order to assess the impact thereof on business and law. He also undergoes regularly online training on exponential thinking.

Jens Magers went to law school at Ludwig Maximilians University, Munich, Germany and University of Padua, Italy.

Part III
Asian Business Perspectives of Agenda 2030

Fostering Social Innovation and Youth Entrepreneurship for the Achievement of the UN 2030 Agenda: The Chinese Way

Liangrong Zu

The new agenda is a universal, integrated and transformative vision for a better world… An agenda for shared prosperity, peace and partnership… Above all, ***it pledges to leave no one behind****.*

Ban Ki-Moon, former UN Secretary-General

All our hopes for a better world rest on young people. The world is home to the largest generation of young people. Sustainable development, human rights, peace and security can only be achieved if we ***empower these young people as leaders****.*

Antonio Guterres, UN Secretary-General

Making the best use of anyone, ***no one is left behind****, Making the most use of anything,* ***nothing is left to waste****.*

Laozi, Tao Te Ching, Chapter 27

1 Introduction: Leave no One Behind, Chinese Wisdom and SDGs

Today, our world faces a multiplicity of complex challenges, including climate change, the erosion of human rights, inequalities and exclusion, migration and displacement, demographic transitions, rapid urbanization and other global mega trends. The world needs a powerful and influential institution which is able to address those twenty-first century challenges. The United Nations is the one we believe has a distinct and crucial role to play in leaving nobody behind and leaving nothing to waste. The 2030 Agenda for Sustainable Development is the framework for advancing the well-being of humankind and the moral obligation for the United Nations to support all nations in eradicating poverty and setting the world on a sustainable path. The ambition and purpose of the Agenda is to ensure peace and prosperity for all on a healthy planet. One of the fundamental principles of the Agenda for making

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the greatest impact for people and planet is to ensure no one will be left behind. The United Nations declares in the Agenda "*As we embark on this great collective journey, we pledge that no one will be left behind. Recognizing that the dignity of the human person is fundamental, we wish to see the goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first*." (The United Nations 2015). The pledge to leave no one behind is a fundamental guiding principle for its implementation. The pledge of the Agenda embraces the wisdom of Laozi, our ancient Chinese sage, a great philosopher of Taoism in more than 2500 years ago. In his masterpiece of Tao Te Ching, Laozi says, "*make the best use of anyone, no one is left behind*, *make the most use of anything, nothing is left to waste.*"[1] Laozi was concerned not only about people, but about the planet, not only about human resources, but about natural resources. It embodies the core and guiding principle of sustainable development for the modern leaders to hold onto. It provides a shared roadmap to build a world that is inclusive, fair, sustainable, stable and prosperous.

"Ensuring no one is left behind" encompasses multiple meanings. For some, it will mean focusing action on disadvantaged groups of society, for example, people living in poverty, women, indigenous people, youth, older people, persons with disabilities, migrants, or people in conflict and post-conflicts situations. Others will focus on reducing inequalities between countries, including focusing action on countries at the lowest stages of development or facing challenging circumstances. It means that decades years from now, when the current and the next generations together assess the implementation of the 2030 Agenda, a key measure of success will be the extent to which it has allowed every single person to thrive, regardless of gender, race, age, religion, place of residence, or any other factor. The call to leave no one behind has been heeded—many organizations have already started to work on the implications of this principle for the delivery of the 2030 Agenda1 and for their missions.

In this Chapter, 'Ensuring no one is left behind' will focus on the youth, particularly in the case of China. At the conceptual and practical levels, the Chapter will address four broad questions. First, who are those left behind? Second, why are they left behind? Third, what methods and mechanisms exist to reach and involve them? And fourth, what types of strategies and policies the Chinese authority has developed would be appropriate in order to leave no one behind? Figure 1 shows the framework of the core concepts and relationships of the concepts. The purpose of the UNSDGs is to realize the commitment of leaving no one behind. Succeeding in achieving the purpose of SDGs requires national authorities to engage and empower youth in SDGs, particularly to create an enabling environment that promotes innovation and youth entrepreneurship. Fostering innovation and youth entrepreneurship calls for multi-pronged strategies, implementation and involvement at all levels including government, industry, political, social and as well as educational sectors. The Chapter will examine the implications of 'ensuring no one is left behind' for the implementation of the 2030 Agenda. It will briefly discuss the connections between the commitment to leave no one behind and three related strategies for achievement

[1]Laozi, Tao Te Ching, Chapter 27.

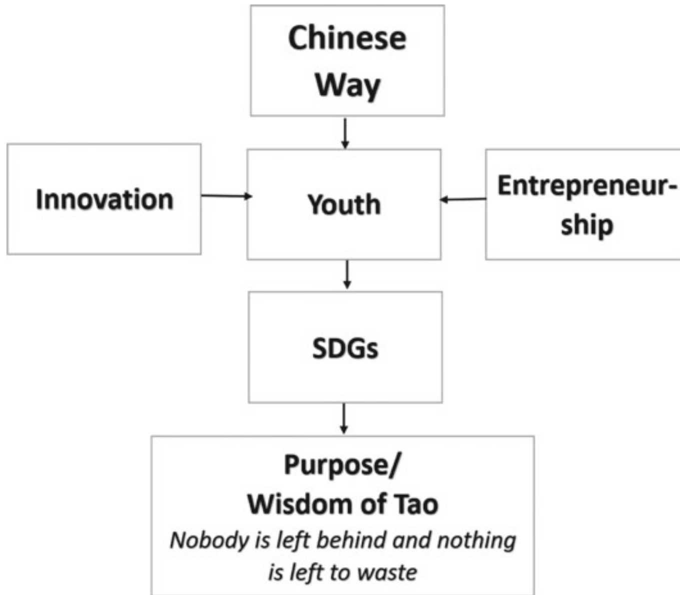

Fig. 1 The framework of SDGs, innovation, youth entrepreneurship and Chinese way

of the SDGs: innovation, youth, and entrepreneurship. The Chapter then reviews some of the concepts and methods used to identify those left behind, as well as some of the methods that are used to reach them in practice. Finally, the Chapter highlights examples of development strategies that Chinese government has used in the achievement of sustainable development goals.

2 Why Youths Matter? The Challenges and Drivers of Economic Growth

The pledge to leave no one behind places a focus on youth, women and girls, persons with disabilities, indigenous people and other vulnerable groups who continue to see their potential undermined by poverty and exclusion. Ensuring that these commitments are translated into effective action requires a precise understanding of target populations. The Chapter will shed some light on the particular situations of young peoples. According to UN data, the world today is home to 1.8 billion people between the ages of 10 and 24. Close to 90% of them live in developing countries, where they make up a large proportion of the population. Their numbers are expected to grow—-between 2015 and 2030 alone, about 1.9 billion young people are projected to turn 15 years old. Populations in many regions are still comparatively young. In Africa, children under age 15 account for 41% of the population in 2017 and young persons

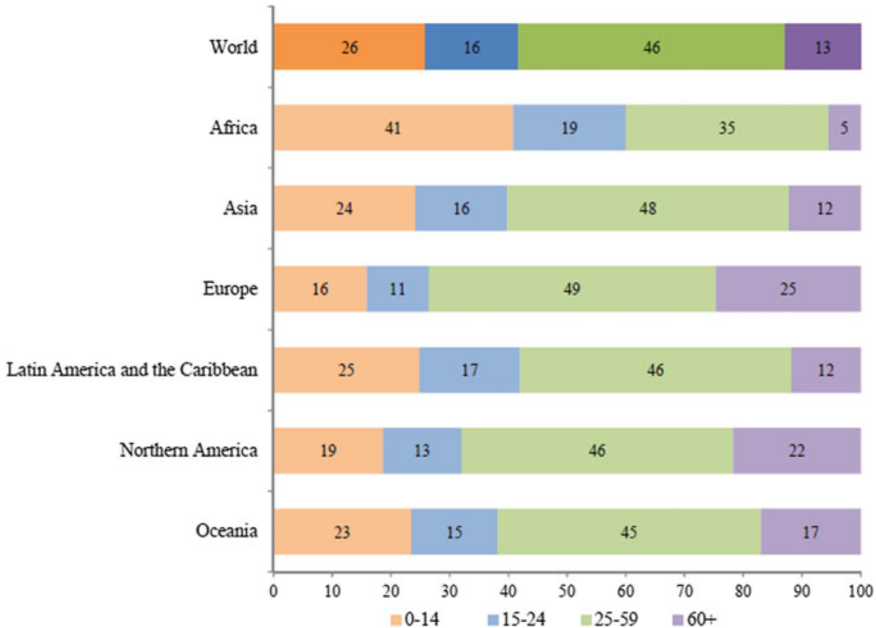

Fig. 2 Percentage of population in broad age groups for the World and by Region, 2017. *Source* United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision. New York

aged 15–24 account for an additional 19% (Fig. 2). Latin America and the Caribbean, and Asia, which have experienced greater declines in fertility, have smaller percentages of children (25 and 24%, respectively) but similar percentages of youth (17 and 16%, respectively). In total, these three regions are home to 1.8 billion children and 1.1 billion young persons in 2017.

Therefore, providing these generations of children and youth with health care, education, and employment opportunities, including in the poorest countries and groups, will be critical for the successful implementation of the 2030 Agenda for Sustainable Development. Because young people want to and already contribute to the resilience of their communities, proposing innovative solutions, driving social progress and inspiring political change. They are also agents of change, mobilizing to advance the Sustainable Development Goals to improve the lives of people and the health of the planet. However, the benefits of development are not equally shared by the youth.

Young people are over-represented among the direct and indirect victims of violence. Some 200,000 homicides each year—43% of all homicides globally—involve children and adults aged 10–29 years. Young men have the highest risk of becoming homicide victims and the highest rates, by far, of being suspected homicide perpetrators (The United Nations 2016). Children are among those most affected by human trafficking and, in several regions, they make up the majority of trafficking

Table 1 Youth unemployment 2007–2017

	Youth unemployment rate, 2007–17 (percentages)				Unemployed youth, 2015–17 (millions)		
	2007–14	2015	2016	2017	2015	2016	2017
World		12.9	13.1	13.1	70.5	71.0	71.0
Developed countries		15.0	14.5	14.3	10.2	9.8	9.6
Emerging countries		13.3	13.6	13.7	52.9	53.5	53.5
Developing countries		9.4	9.5	9.4	7.4	7.7	7.9
	Youth working poverty rate, 2007–17 (percentages)				Youth working poverty, 2015–17 (millions)		
	2007–14	2015	2016	2017	2015	2016	2017
Total emerging and developing		38.4	37.7	36.9	159.9	156.0	152.2
Emerging countries		31.2	30.2	29.3	107.3	102.7	98.4
Developing countries		73.3	72.2	71.0	52.6	53.3	53.8

Source The ILO (2016)

victims. In sub-Saharan Africa and South-Eastern Asia, children comprise 65 and 57%, respectively, of total human trafficking victims (The United Nations 2017b). In addition, the youth is also facing the tough employment. The International Labour Organization (ILO) estimates that the global youth unemployment rate is expected to reach 13.1% in 2016 and remain at that level through to 2017 (up from 12.9% in 2015). The ILO's World Employment and Social Outlook 2016, Trends for Youth report shows that as a result, the global number of unemployed youth is set to rise by half a million this year to reach 71 million (Table 1)—the first such increase in 3 years (ILO 2016). Of greater concern is the share and number of young people, often in emerging and developing countries, who live in extreme or moderate poverty despite having a job. In fact, 156 million or 37.7% of working youth are in extreme or moderate poverty (compared to 26% of working adults).

In the case of China, in 2017, the estimated youth unemployment rate in China was at 10.8% (see Fig. 3) (Statista 2017). It is much higher than the average rate of developing countries, and extremely higher than the average rate of 4% of total unemployment in China. The youth employment is becoming one of the top priorities of Chinese government. To address the big challenge, Chinese central authorities released a detailed 10-year youth development plan in 2017, vowing better education, employment and healthcare for the nation's youth. China has formulated the Medium and Long-Term Youth Development Program (2016–2025), which sets a general goal of establishing a "youth development policy system and work mechanism" by 2020 and improving the system by 2025. It requires expanding areas of employment for young people and fully leveraging fiscal, financial, tax, subsidy and other policy tools to support them in finding various forms of employment through multiple channels or starting their own businesses. Specifically, the plan sets educational goals of an average 13.5 years of education for the newly added labor force and a gross higher education enrollment rate of over 50% within 10 years.

Young people on one hand are facing incredible challenges, and on the other, they are main drivers of economic growth. They can take a lead in driving SDGs in a bid to promote inclusive and sustainable economic growth. The international community and national authorities cannot achieve their missions and goals without partnering with young people. We must ensure they are not only heard but understood,

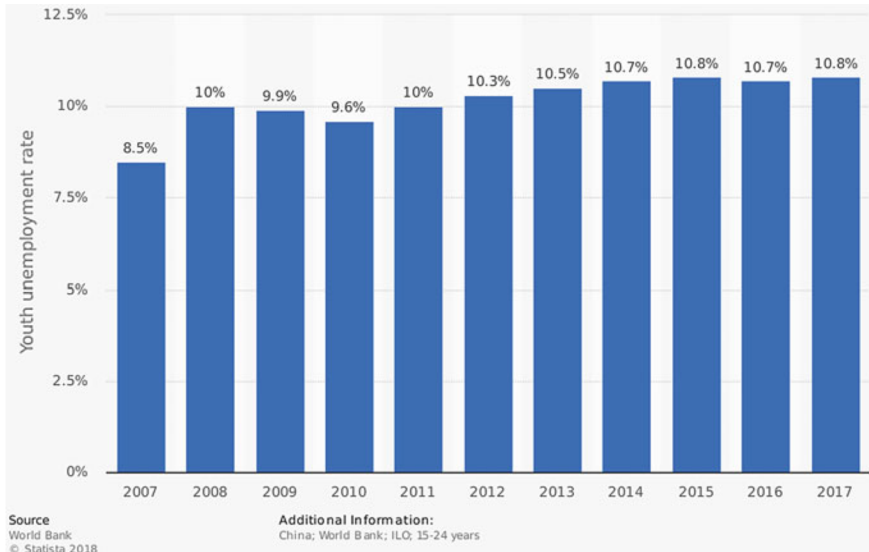

Fig. 3 China: youths unemployment rate from 2007 to 2017

not only engaged but empowered, and not only supporting but leading to be full-fledged partners in the work of international community and national authorities to build a better world for all, as they are both beneficial and partners. Therefore, if we provide young people with the necessary skills and opportunities needed to reach their potential, young people will be able to be a driving force for supporting development and contributing to peace and security. Youth-led organizations need to be encouraged and empowered to participate in translating the 2030 Agenda into local, national and regional policy. They play a significant role in the implementation, monitoring and review of the Agenda as well as in holding governments accountable. With political commitment and adequate resources, young people have the potential to make the most effective transformation of the world into a better place for all.

3 Why Youth Entrepreneurs Matters? The Change-Makers of Society and Driving Force of SDGs

In China, people have a saying "young people are the hope of a nation, and the future of the world." This statement stands true in every sense. When a country has a healthy youth population, you will find the country making headway in terms of overall development and progress. A country with high aging population and lower youth population has many problems to content with that can slow its growth. Because young people are critical thinkers. They involve making sense of personal

experiences and asking questions about the world around you. They have the capacity to identify and challenge existing power structures and barriers to change, and to expose contradictions and biases. Young people are change-makers. They also have the power to act and mobilize others. Youth activism is on the rise the world over, bolstered by broader connectivity and access to social media. Young people are innovators. They often have direct knowledge of and insights into issues that are not accessible to adults. They best understand the problems they face and can offer new ideas and alternative solutions. Young people are communicators. Outside the international development sector, few people are aware that world leaders have come to a historic, far-reaching agreement to improve the lives of people and the planet by 2030. Young people can be partners in communicating the development agenda to their peers and communities at the local level, as well as across countries and regions. And finally, young people are leaders. When they are empowered with the knowledge of their rights and equipped with leadership skills, young people can drive change in their communities and countries. As young leaders of tomorrow, it is pivotal that youth are informed and engaged with the global vision for the future. Over the next fifteen years, youth will not only directly experience the outcome of SDGs and plans, but will also be the key driver for their successful implementation. For this reason, it is vital to raise awareness about the recently adopted 17 SDGs and the 2030 Agenda for Sustainable Development among youth, build a platform for discussion, and create the conditions for active engagement.

As we discussed preceding section, one of the major challenges faced by China and other countries in the world today is to do with youth unemployment. The current global youth population is estimated to be at 1.2 billion aged 15–24 years, of which 620 million are employable and ninety percent of this population live in developing countries. Countries like China have a fast increasing youth population and the rate of unemployment too is rising rapidly. As per ILO's prediction approximately 660 million youth will be seeking employment by 2015. The youth unemployment is higher measuring up to 50–60% in Asia (MSG 2018). Chinese authorities and governments in other countries have focused on looking at framework and strategies to creating new jobs and increasing employment rates. In this context, fostering youth entrepreneurship has gained importance on the global and national policy agendas as a way to expand employment and earning opportunities. Youth entrepreneurship can help sustain growing economies; integrate youth into the workforce besides leading to overall development of society and is being recognized as a promising alternative and is being actively promoted by various agencies.

Entrepreneurship has become a key focus of research over the past three decades. With the focus on entrepreneurship and its potential for economic development and job creation, the recognition of entrepreneurs as having an important role in the economy has emerged. Entrepreneurship is widely acknowledged as a driver of sustainable economic growth as entrepreneurs create new businesses, drive and shape innovation, speed up structural changes in the economy, and introduce new competition—thereby contributing to productivity. Entrepreneurship also drives job creation and hence entrepreneurship is a critical contributor to economic growth that is inclusive and reduces poverty. The Global Entrepreneurship Monitor (GEM) defines

entrepreneurship as "any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business".

In low-and middle-income countries, self-employment is the dominant form of entrepreneurship and accounts for an important share of youth employment. According to the Global Entrepreneurship Monitor (GEM), a significant proportion of the youth population aged 18–24 were nascent entrepreneurs or owners-managers of a new business in 2016—about 10% in Asia and Oceania, 15% in Africa and 17% in Latin America and the Caribbean. For many people in these regions, including youth, entrepreneurial activity is the sole entry point into the labour market and the only way out of poverty. In sub-Saharan Africa, for example, approximately one third of all youth with a new or nascent business were pushed towards entrepreneurship out of necessity. Often this involved small-scale self-employed subsistence activities, in farming or outside the agricultural sector. Therefore it is important for the international community and national authorities to actively engage youth in sustainable development efforts through fostering entrepreneurship is central to achieving sustainable, inclusive and stable societies by the target date, and to averting the worst threats and challenges to sustainable development, including the impacts of climate change, unemployment, poverty, gender inequality, conflict, and migration. The study shows that youth entrepreneurship has many great advantages in contribution to social progress and environmental sustainability. For instance, young entrepreneurship is an option to create employment for the youth; young entrepreneurs are more likely to hire fellow youths; young entrepreneurs are particularly responsive to new economic opportunities and trends; young people are active in high growth sectors; young people with entrepreneurial skills are better employees; young people are more innovative and often create new forms of independent work; young people who are self-employed have higher "life satisfaction" (African Economic Outlook 2013); entrepreneurship offers unemployed or discouraged youth an opportunity to build sustainable livelihoods and a chance to integrate themselves into society (The United Nations 2013); entrepreneurial experience and/or education help youth develop new skills that can be applied to other challenges in life. Non-cognitive skills, such as opportunity recognition, innovation, critical thinking, resilience, decision-making, teamwork, and leadership will benefit all youth whether or not they intend to become or continue as entrepreneurs.

4 Why Social Innovation Matters? The Engine of Social Change

Traditionally when we talk about innovation, we immediately think of technical innovation, service innovation, organizational innovation, etc. However, these innovations alone have proven to be insufficient to address the pressing challenges of today such as climate change, resource depletion, economic deprivation, poverty

alleviation, increased migration and improved life quality. We need a brand new innovation to address these problems, and to enable transitions to more sustainable solutions. Social innovations are new strategies, concepts, ideas and organizations that aim to meet social needs resulting from working conditions, education, community development, and health. From the academic perspective, social innovation is defined as a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals. Social Innovation happens in the process of innovation, and it also happens in new work and new forms of cooperation, especially those that work towards a sustainable society. The Centre for Social Innovation at the Stanford Graduate School of Business defines social innovation as "the process of inventing, securing support for, and implementing novel solutions to social needs and problems." OECD defines it as concerning conceptual, process or product change, organisational change and changes in financing, and dealing with new relationships with stakeholders and territories. From the European perspective, social innovations are defined as new ideas that meet social needs, create social relationships and form new collaborations. These innovations can be products, services or models addressing unmet needs more effectively. The World Economic Forum's Global Agenda Council on Social Innovation, an advisory body comprised of leading practitioners, thought leaders and academics, defines social innovation as "the application of innovative, practical, sustainable, market-based approaches to benefit society in general, and low-income or underserved populations in particular". Social innovation means being more strategic, more ambitious and more collaborative in how access and opportunity can be provided for billions of low-income people to participate in the global economy.

Social innovation often emerges through companies that seek more than pure profits or when nonprofit foundations find more secure funding models. In other words, social innovation can be achieved through hybrid organizations that combine aspects of nonprofits and for-profits to achieve social impact. Therefore, an important aspect of social innovation is to discover new organizational models that have social concerns, but also have sustainable revenue generation.

Business cannot succeed in ecologies and societies that fail. Social innovators are invited to go into training to become regenerative practitioners. They need to go to the very heart of the markets and align new revenue opportunities with a value-generating capability that make both people and the rest of the natural world stronger, more vibrant, and more resilient. Social innovators' ecological and economic decisions should coincide with ecosystem boundaries. Using natural resources efficiently within the system in regenerative loops is both profitable and better for the environment, on which all business is dependent. The carbon-intensive waste economy concentrated in narrow bands of the population has had its day. Business models that harness environmental performance are engines of competitive advantage. Innovation should balance new sustainable consumption and production patterns with protection of terrestrial ecosystems.

5 Social Innovation, Social Entrepreneurship and SDGs

5.1 Social Innovation and Social Entrepreneurship

We understand from the preceding section that the purpose of social innovation is to look for new ideas and methods of solving social and environmental problems. It is also the effective ways to meet the ambitious challenges, like the SDG 2030 Agenda. The main driver for social innovation is the need to address unmet social needs. Most social innovations are initiated through entrepreneurial activities from the bottom up, by organizations and actors with roots in civil society and the third sector (such as cooperatives, associations and foundations). One of the most exciting sectors of social innovation today are a group of social entrepreneurship startup companies that have sustainable business models and apply emerging technologies to achieve social impact. The social entrepreneurship companies attempt to tackle problems from scratch to develop approaches that might be difficult to implement in more established organizations. The commonality that can be found in all these social innovation approaches is a desire to find new organizational models to achieve social impact. We need bolder and more ambitious efforts to achieve the SDG 2030 Agenda. And we can look for novel solutions among the various practitioners of social innovation around the world.

Social entrepreneurs can pursue social innovation opportunities which SDGs will create, particularly in the social and environmental areas. The opportunities can be grouped into four broad clusters such as building future markets, strengthening supply chains, investing in talent and leveraging finance. Each cluster offers a starting point for entrepreneurs and companies to look for social innovation opportunities most relevant to them. Specific opportunities will be driven by multiple factors including a company's operating environment, geographic footprint, product portfolio, supplier base and raw material dependencies, and talent models. For example, market-facing companies from sectors such as healthcare or consumer goods have embraced business growth through innovations in products, services or distribution channels targeting underserved consumers. Companies heavily reliant on supply chains, including from food, agriculture or textiles, have pursued strategies that secure raw material supply, increase product quality and engage customers, while companies in professional services or IT focus on building future talent pools and enhancing employee loyalty.

Companies that successfully pursue social innovation as an opportunity for developing new markets typically innovate in three specific ways. First, they design products and services that respond to the unique needs and behaviours of low-income customers. This can include developing new products and services or adapting existing product lines for their needs (e.g. food brands fortifying existing products with micronutrients to address malnutrition). Second, the products and services must offer strong value for money despite—or because of—low purchasing power, necessitating the design of cost-effective products. Third, products must be made accessible

across large geographies with poor infrastructure, which requires thinking creatively about distribution channels.

There are three major strategic benefits for social innovation in a corporate supply chain. The first motivation is to ensure the stability of access to raw materials. Many supply chains, particularly those in the agriculture, food and consumer goods industries, are laced with intermediaries, all of whom take a share of the price paid by the consumer. Unless small suppliers can increase productivity or volumes, households may abandon crops that have become unviable, threatening the supply of raw materials. Extreme weather is another driver of supply volatility. Diversification of and investment into a supplier base can create direct and trusted relationships with farmers, which help maintain stability in supplies and prices in the face of extreme weather events. The second strategic benefit revolves around improving the quality of raw materials, which supports a company's ability to achieve a price premium while strengthening consumer loyalty. A third motivation is reputation and proactively responding to changing consumer preferences. An increasing number of consumers are willing to pay a premium for products sourced through socially responsible supply chains.

Increasing levels of diversity in the workforce can present a significant social innovation opportunity. Seeking a more diverse workforce both increases the size of the recruiting pool and can introduce new capabilities into an organization. Many companies have realized the opportunity this can bring—according to the "2011 Fostering Innovation Through a Diverse Workforce survey" by Forbes, 85% of companies agree talent diversification results in more innovative product generation ideas. Firms have recognized that "new" talent pools (other examples might be immigrants, the long-term unemployed and the disabled) can bring new strengths and perspectives to their team. However, to successfully tap into these groups, firms need to assess how existing hiring approaches and work procedures will need to be adapted. Firms have approached the issue by searching for allies who share the same mission and are willing to enter into partnerships. Governments or educational institutions—or even competitors—are often willing to co-invest or bring in their expertise and teaching infrastructure. At the same time, companies can play an active role by (co-)designing the curricula, bringing in their practical experiences and ensuring a targeted skill development that matches the demands of business.

Finance can be a key tool for a company to engage in social innovation. Companies have helped grow social enterprises by managing impact investment funds or incubators. In addition to generating financial returns, such investments can offer a pipeline of ideas to support a company's innovation agenda and can become future partners, or even future customers. To benefit the most from its impact investments, a company should invest in start-ups that are strongly aligned with the company's business strategy or operating in adjacent markets. Targeted investments into social entrepreneurs can generate new business opportunities for the company.

5.2 *Social Innovation and Sustainable Development*

The UN now acknowledges that social innovation approaches are needed as mainstream tools for delivering sustainable development, alongside large-scale public and private funding. Today, the role of bottom-up social innovation in designing and delivering public services to income-poor and marginalized people in a gender sensitive manner, especially when based on local acceptance and advocacy campaigns, is seen as an important issue in achieving the SDGs by 2030. In reality, social innovation and sustainable development go hand-in-hand. For example, the United Nations Social Development Network is supporting Asia-Pacific countries' use of social innovation to tackle ageing population and gender inequality (The United Nations 2017a). In India, building a mass social movement around the lack of basic utilities and services, through the mobilization of opinion and advocacy across as many groups and interests as possible, can help change the behaviour and attitudes of both citizens and service providers to issues like public health. The potential benefits of public-civil partnerships in northern Ghana, where the former provides the framework and expertise and the latter provides community activism, knowledge and resources, is a core issue addressed in the high impact 'School for Life' basic education initiative in rural areas. In 2001, a bottom-up social innovation was launched in Brazil's dry Northeast by a network of civil society institutions and small farmers working to promote co-existence and local empowerment. One million cisterns were built for capturing rainwater to provide rural families with healthy drinking water year round, regardless of when the rains come. This was undertaken in partnership with the government and the private sector, but retained its strong focus on ensuring the democratization of access to water in order to ease the lives of the poor and especially women whose task it normally is to obtain water for family use. The experimental cistern was designed to capture rainwater, and is easy to build at low cost, using local knowledge and support from local authorities, universities and companies for technical assistance. The result is not only good quality drinking water but also the empowerment of family farmers, women and local organizations, as well as their capacity to influence public policy.

Social innovation is thus increasingly recognized as an important component of the new innovation framework necessary for sustainable development. In addition to most developed countries, it is starting to become embedded and recognized in many developing countries and emerging economies. It helps to meet social needs (for example for an education or health service) in a new way that also involves collaboration with, and the empowerment of, the service user or beneficiary. It works with them rather than just doing something to them as passive recipients, also developing their own capabilities around and ownership of the service, and thereby transforming their social relations and improving their access to power and resources.

Fig. 4 Business opportunity and SDGs. *Source* Better Business, Better World, Business and Sustainable Development Commission (2017)

5.3 SDGs Create Business Opportunities for Youth Entrepreneurs

“ The SDGs provide all businesses with a new lens through which to translate the world’s needs and ambitions into business solutions. These solutions will enable companies to better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to needed resources, and strengthen their supply chains, while moving the world towards a sustainable and inclusive development path” (UN, 2017).

According to a report by the Business and Sustainable Development Commission, the SDGs could generate US$12 trillion in business savings and revenue across four sectors by 2030 (see Fig. 4): energy, cities, food and agriculture, and health and well-being. It points out the 60 biggest market opportunities related to delivering the SDGs, such as sustainable aquaculture and mine rehabilitation. The report also estimates the creation of 380 million new jobs linked to these four sectors in the next ten or fifteen years due to alignment of business strategy to the SDGs.

Business leaders and entrepreneurs can unlock new market opportunities worth US$5 trillion and generate 230 million jobs in Asia by 2030 through sustainable business models, according to Better Business, Better World Asia, a new report released today by the Business and Sustainable Development Commission (BSDC). The research also shows that, instead of being a constraint to growth, companies pursuing strategies aligned with the Global Goals could open economic opportunities across 60 “hot spots” worth up to US$12 trillion and increase employment by up to 380 million jobs globally by 2030. Asia represents 40% of the global value, and nearly two-thirds of total jobs. In terms of the impact of SDGs on business in Asia and China, BSDC estimated in its 2017 Report, SDGs will generate US$5 trillion of economic value across four key systems: food and agriculture: US$1 trillion for food and agriculture; US$1.5 trillion for cities, US$1.9 trillion for energy and minerals, and US$670 billion for Health and Well-being. Of the total value for Asia, around US$2.3 trillion could be found in China alone, US$1.1 trillion in India, US$1.1 trillion in developing and emerging Asia, and US$0.7 trillion in developed Asia, which include Australia, New Zealand, Japan, and South Korea. The estimated value of US$5 trillion is conservative. Additional value could be released from other sectors, including information communication technologies (ICT), education, and consumer goods. Globally, these sectors could add a further 66% to the global value of US$12 trillion. Pricing in environmental costs such as climate change could increase the ‘real’ size of the prize by a further 40%. And making progress on the single global goal of gender equality in countries in Asia where women are not strongly engaged in the economy is likely to add an additional 30% to the economic growth of these countries. According to the report, 230 million jobs could be generated through SDGs-aligned business models in Asia, however, these jobs will only meet Global Goals targets if they provide decent work that creates sufficient reward and development opportunities for workers. It is obvious that on one hand, SDG creates enormous opportunities for business, on the other; it demands strategies for tackling urgent environmental and social challenges so that market value can be successfully unlocked. Aligning these strategies with the Global Goals is not just good for society and the environment, but makes strategic business sense.

If we want to identify the impact of the specific SDGs on business, we can take a look at the study which was undertaken by Frost and Sullivan and GlobeScan on behalf of CSR Europe. The study demonstrates that while the SDGs have already been embraced by many business leaders, middle-management remains disconnected from their narrative. The study warns that while progress has been made, collaborative efforts must be reinforced in order to meet the UN 2030 Agenda. The SDGs not only provide a common language for the private and public sector to communicate, they also offer Europe a critical opportunity to foster sustainable and inclusive growth and secure trust in Europe. Figure 5 showcases the market value that four sustainable development goals will generate in the future: *SDG4: Quality Education, SDG 5: Gender Equality, SDG 7: Affordable and Clean Energy, SDG 11: Sustainable Cities and Communities* (Frost and Sullivan 2017).

Education is always an important area that influences business. ‘Education for all’ has been a global campaign since 2000 when UNESCO set in motion the movement

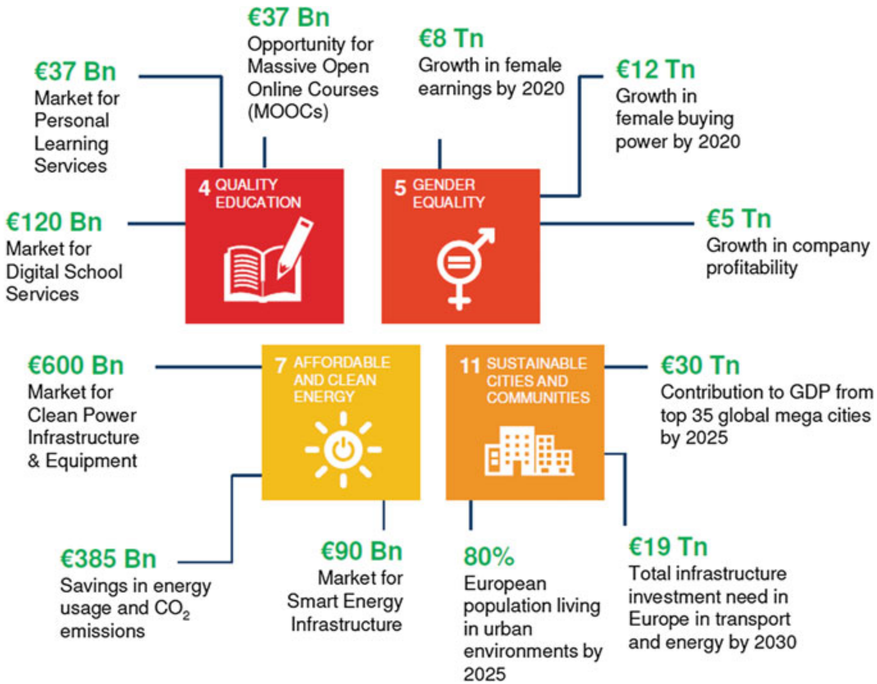

Fig. 5 Economic business opportunities from selected SDGs. *Source* Frost and Sullivan and GlobalScan (2017)

with over 160 countries pledging to achieve six education related goals by 2015. Two years have passed since the desired timeline and sadly only a third of the countries have achieved six goals with many still struggling to provide basic education. 58 million children are out of school and over 100 million without a primary education. In addition to the problem of access, the quality of education has also suffered with poor teacher-student ratios (1–47 in Pakistan) and low conversion rates to higher education (30% dropout from secondary school globally).

It is believed that a more unexpected and consequently untapped source of growth is the so called 'gender dividend'. This is the growing body of evidence that by addressing female consumers and harnessing the power of females within private industry, businesses will yield significant returns. Equality and empowerment for women and girls is not just the right thing to do but essential to achieve our most promising and sustainable future. By 2025, women will change the workforce landscape with an average participation rate of more than 40%—an additional 250 million women workers. This will close the gender gap in labour participation rates by 25%, which, in turn, will have a huge economic impact across both developing and developed nations. Equal male and female employment rates would boost the economy of European nations by 5–9%.

Energy is a key enabler of economic growth, a driver of industrial output and business, and also a crucial ingredient to bringing progress in sectors such as transportation and healthcare. Energy is also a critical factor in guaranteeing access to clean water, sanitation and education in developing countries, as well as bringing essentials such as warmth, light and safety to people's homes. In essence, the security and efficiency of energy is one of the most essential components of improving the lives of individuals while also securing a sustainable and dynamic future for society.

Providing for smart and sustainable solutions is vital for cities. Urban migration along with city expansion is resulting in resources becoming scarce. Frost and Sullivan estimates project that, by 2025, the global urban population is expected to breach the 4,6 billion mark, which will roughly account for 58% of the total population.

6 The Chinese Way for SDGs

6.1 The Chinese Way Demystified

I discussed the role of youth, entrepreneurship, and social innovation that play in achieving the UN 2030 Agenda, and in the meantime, I also showcased the great business opportunities that SDGs will create for private sectors and youth entrepreneurs. I will concentrate on the Chinese way and its relationship with the achievement of SDGs in this section.

I have the impression of whenever we talk China, and whatever we touch on China, we immediately think of the Chinese way. What is the Chinese way? Let's look at it from the perspective of life and culture. Min and Xu (2014) explored the Chinese Way and culture through the examination of the nine core concepts that best represent the Chinese way of life: *doctrine of mean*, *tribalism*, *hierarchicalism*, *polymorphism*, *usefulism*, *emotionalism*, *wealthism*, *effortlessism, and cynicism* (Min and Xu 2014). Doctrine of Mean (DoM) is fundamental to the Chinese way of life. It requires people not go to extremes and instead strive to be in the middle. Finding equilibrium is not the same as finding the mean, and most certainly, finding the mean should not be the objective. On social issues, DoM is reflected in a collective desire to seek a middle ground solution when there is a difference of opinion on a particular topic.

At the core of tribalism is the "*us versus them*" mentality. As long as one's own tribe can survive, another tribe's fortune or misery is inconsequential. People behave differently when they are within a circle than when they are outside a circle. Within a tribe (circle), one exhibits dedication, loyalty, and sacrifice, but the opposite is likely true towards people outside the tribe. One trusts people within the same tribe, but not outsiders. Within the tribe, collectivism reigns supreme; but outside the tribe, the Chinese are quite individualistic—even more so than their American counterparts. Tribalism also impacts how the Chinese view other countries. The guiding principle of Chinese foreign policy—non-interference—can be traced back to tribalism, where one is not supposed to interfere with other tribes' internal affairs and vice versa.

Polymorphism in China takes two forms: across individuals and within an individual. Polymorphism across individuals is essentially the heterogeneity that exists among the Chinese. Polymorphism within an individual is more complex, yet integral to the Chinese way of life. In essence, the Chinese are taught and expected to behave differently in different situations, and they do not consistently follow the same principles in all contexts (Min and Jie 2014). The author claims that understanding of Chinese Way can equip international business students, scholars, and practitioners with a deep understanding of a society that is a major player in global business today and offers a foundation for successful business interactions with Chinese companies, organizations, and people.

The Chinese Way of Life (CWoL) is a little different from the Chinese Way of Governance (CWoG). For the purpose of this Chapter, particularly for the SDGs, I will focus on the second way. I interpret CWoG as the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions in China, it combines the top-down and bottom-up approach. These strategic approaches lead to increased insight, effective project management, and clear lines of communication across a company or a project. Top down approach starts with the big picture. It breaks down from there into smaller segments. The top-down approach relies on the higher authority figures to determine larger goals that will filter down to the tasks of lower level employees. In comparison, the bottom-up style of communication features a decision-making process that gives the entire people a voice in company goals. Each task remains fluid as employees achieve their goals. Therefore, I believe that CWoG is effective, efficient and productive. Let's take a look at the role of CWoG played in the achievement of SDGs.

6.2 The Chinese Way for the UN 2030 Agenda: The Top-Down Approach

In September 2015, Mr. Jinping Xi, President of China, attended the United Nations Sustainable Development Summit and joined other leaders in endorsing the 2030 Agenda for Sustainable Development. As the largest developing countries in the world, China has always place development as the first priority. According to the 13th Five-Year Plan approved in 2016, it defines the development concept featuring innovative, coordinated, green, open, and shared development. China will pursue innovative development and improve the quality and efficiency of development in the future. Coordinated development will be promoted to form a balanced structure of development. China has developed the strategies and taken measures to implement the 2030 Agenda in accordance with national conditions and respective characteristics. For example, the Chinese way of the seven approaches were developed: *synergy of strategies, institutional guarantee, social mobilization, resource input, risk management, international cooperation, and oversight and review*.

Synergy of Strategies aims at integrating the 2030 Agenda into China's mid-and-long term development strategies and creating synergy and complementarity between international agenda and domestic strategies. The focus in this synergy includes the following three aspects:

First, integrating the 17 SDGs and 169 targets into China's overall development planning and break down, incorporate, or link them in specialized plans. The China's 13th Five-Year Plan commits to the "active implementation of the 2030 Agenda for Sustainable Development". Government departments of China have turned the SDGs into specific tasks in the economic, social and environmental areas. In the economic field, the Chinese government has formulated the National Outline for Innovation-Driven Development Strategy, the National Sustainable Agricultural Development Plan (2015–2030), and the National Outline for Information Technology Development Strategy and. In the social field, it has published the Decision of the Communist Party of China (CPC) Central Committee and the State Council on Winning the Tough Battle in Poverty Reduction and the Healthy China Outline (2030). In the environmental field, it has prepared the China Biodiversity Conservation Strategy and Plan of Action (2011–2030) and the National Climate Change Program (2014–2020). Second, bringing the development objectives of local governments in line with the 2030 Agenda. Based on the Outline of the 13th Five-Year Plan, the 31 provinces, autonomous regions and municipalities directly under the central government in China have formulated their own five-year plans, and the cities and counties have completed their road maps and annual plans. In this way, the central and local governments have created synergy for the implementation of the 2030 Agenda. Third, pushing multilateral mechanisms to formulate action plan for the 2030 Agenda to create synergy at international level. China plays a leading role in facilitating the G20 to draw up action plan on implementation of the 2030 Agenda. China also initiated the "Belt and Road" strategy for assisting other countries in the implementation of the 2030 Agenda. And China intends to support the concerted efforts that regional commissions and specialized agencies of the United Nations have made to formulate actions plans for the goals and targets that fall within their respective regions or fields.

The second approach is institutional guarantee. It refers to the institutions, mechanisms and policies that will support the implementation of the 2030 Agenda and it includes the four aspects: first, promoting targeted reforms to establish an institutional framework for the implementation of the 2030 Agenda. The Chinese government will step up the improvement of institutions and systems to ensure that the market plays the decisive role in resource allocation and the government better plays its role, and remove all institutional barriers to scientific development, and to provide institutional impetus for the implementation of the 2030 Agenda. China will also advance the construction of innovation demonstration zones for the implementation of the 2030 Agenda to accumulate best practices. Second, the rule of law must be improved to provide legal guarantee for the implementation of the 2030 Agenda. China will step up the legislative work to improve the market economic system, develop democratic political system, foster advanced socialist culture, innovate on social governance, safe- guard citizens' rights and enhance people's livelihood, safe-

guard national security, protect the environment and improve government functions. It will also take efforts to build a comprehensive, scientific, effective and law-based government administration system. Third, ensuring to provide policy guarantee for the 2030 Agenda. The Chinese government will establish a comprehensive policy system, which is led by national policies and supported by specialized policies and local policies, with emphasis on the ten aspects: eliminating poverty and hunger, maintaining economic growth, advancing industrialization, improving social security and social services, safeguarding equity and justice, strengthening environmental protection, addressing the climate change, enhancing energy and resource efficiency, improving national governance and promoting international cooperation. Fourth, the responsibilities and accountability for governments must be articulated at all levels. China will not only enhance the horizontal cross-region and inter-agency coordination, but also establish a vertical implementation mechanism linking the central, local and grassroots levels. China's domestic inter-agency coordination mechanism comprised of 43 government departments has been established for the implementation of the 2030 Agenda, and its local governments will set up corresponding working mechanisms to ensure smooth implementation.

The third approach is social mobilization. Effective implementation of the 2030 Agenda requires better understanding, recognition and participation of people in SDGs, particularly, focusing on the three aspects: First, enhancing the sense of responsibility in participating in the implementation. Adhering to the principle of putting people first, China will implement the 2030 Agenda by the people and for the people. China will help its people fully appreciate the personal and public interests in the implementation of the 2030 Agenda and enhance their initiative and sense of responsibility in the implementation. Second, extensive use of the media for social mobilization. China will make the 2030 Agenda more accessible to people and create an enabling environment for the implementation via social media and public campaigns. Third, promoting public participation. China will engage non-governmental groups, the private sector and individuals especially the youth in training courses, networking and management activities related to the 2030 Agenda, to help them realize the importance of coordinated economic, social and environmental sustainability and build a broad- based social consensus on the 2030 Agenda. Governments at all levels will play their due role in coordination, mobilization, implementation and supervision to form the social synergy for the Agenda.

In alignment with the strategies, China proposed nine key areas as the top priorities in the implementation of the 2030 Agenda.

- Goal 1 and 2: Eradicating poverty and hunger through targeted measures to alleviate and eliminate poverty, and enhancing agricultural production capacities and food security.
- Goal 8: Implementing innovation-driven development strategies and generating momentum for sustainable, healthy and stable economic growth.
- Goal 9: Advancing industrialization to inject impetus to coordinated development between urban and rural areas and among the three dimensions of sustainable development.

- Goal 10: Improving social security and social services to ensure equal access to basic public services.
- Goal 16: Safeguarding equity and social justice to improve people's well-being and promoting all-round human development.
- Goal 14–15: Protecting the environment and building protective barriers for eco-security.
- Goal 13: Addressing climate change actively and integrating climate change response into national development strategies.
- Goal 7: Promoting efficient utilization of resources and sustainable energy.
- Goal 16: Improving national governance and ensuring economic and social development in line with the rule of law.

Committing to delivering all 17 goals, China has identified several top priorities within the agenda: sustainable consumption and production, health and education, equality, employment, and migration. Implementing the 2030 Agenda is a systemic project. Chinese authorities are also determined to provide sound support from five dimensions:

- Strengthening capacity building of governments to improve institution building, increase public resources, and generate internal growth momentum.
- Creating an enabling international environment for development, building a balanced, win-win and inclusive multilateral trading system and improving economic governance.
- Engaging with all stakeholders, and working towards a more equitable and balanced partnership for development.
- Promoting coordination mechanism and incorporating development policy into macroeconomic policy coordination.
- Improving evaluation and assessment of performance by conducting regular reviews of implementation progress while review of national implementation would be done according to respective national conditions and the principle of voluntary action.

The year of 2016 is the first year of implementing the 2030 Agenda for Sustainable Development. China has made great efforts in its implementation, linking the 2030 Agenda with domestic mid-and-long term development strategies. The domestic coordination mechanism for the implementation, comprised of 43 government departments, has been established to guarantee the implementation. Great efforts has been be made to publicize the 2030 Agenda nationwide in order to mobilize domestic resources, raise public awareness, and creating favorable social environment for the implementation. China will also strengthen inter-sector policy coordination, review and revise relevant laws and regulations to provide policy and legislative guarantee for the implementation. In the next 5 years, China is determined to lift all the 55.75 million rural residents living below the current poverty line out of poverty, and to double its GDP and people's per capita income of 2010. China has already released the Position Paper on the Implementation of the 2030 Agenda for Sustainable Development, which reflects China's views on the principles, priorities, policies

and progress made in the implementation of the 2030 agenda. China will also issue its national plan of implementing the 2030 Agenda this year and share its development experience with other countries.

6.3 The Chinese Way for Innovation and Entrepreneurship: The Bottom-up Approach

Creativity and innovation are drivers of economic growth as China looks to young entrepreneurs to steer it away from an investment-led model. Over the past two decades, entrepreneurship in China has grown at an exponential rate. It is bringing forth disruptive changes not only to China but increasingly also to the rest of the world. As economic growth slows and the property sector cools, China is relying on more people, especially young people, to be creative and innovative enough to turn their ideas into economic benefit. The government hopes young entrepreneurs will help transform China from productivity-driven into innovation-driven economy. Innovation and entrepreneurship is always the driving force of economic growth in China. The future growth in China can come from innovation, not just in the use of technology but through imaginative ways of managing businesses and processes. Capturing these gains would make China a principal contributor to global growth (Daniel 2015).

Mass entrepreneurship and innovation is the leading agenda of China's national economic strategy. It has been an effective driver for both economic growth and the consistent transition between traditional and new growth engines. It has also significantly contributed to the creation of new jobs and the increase in incomes. China issued a policy to boost mass entrepreneurship and innovation in 2015, and adopted a guideline in 2017 to further enhance the support for innovation and entrepreneurship. The purpose of the policy is to intensify structural reform, boost efforts to implement the strategy of pursuing innovation-driven development, and removed all institutional obstacles which impede mass entrepreneurship and innovation. The government is determined to innovate its institutional mechanisms to facilitate mass entrepreneurship and innovation. It aims at creating a better environment for fair competition, deepening business system reforms, strengthening intellectual property protection and establishing a mechanism for the training and hiring of talented professionals; related government bodies are optimizing their financial policies to support mass entrepreneurship and innovation. China will also strengthen financial support policies, inclusive funding measures and more government purchasing in the near future. Statistics of the State Administration for Industry and Commerce show that the country saw the registration of more than 13 million new enterprises between March 2014 and February 2017, 94.6% of which are in the private sector, adding an average of 15,600 new enterprises on a daily basis in the first five months of this year, giving employment a major boost (Xu 2017).

Social entrepreneurs and social enterprises have been also growing in China over past years. The consensus about social enterprise is that this new type of organization, possessing both social purpose and business traits, and combining innovation with entrepreneurship, can play an important role in poverty alleviation. It can also enhance participation and capacity building for vulnerable and disadvantaged groups, establishing social capital and ensuring sustainable development. More and more NGO leaders and intellectuals believe that social enterprise will be a remedy for many social problems and unmet social needs, and a boost for social sector development in China. As a result, hundreds of social enterprises have emerged in the last eight years. The findings of SEFORÏS research in 2015 show that Chinese social entrepreneurial activities span a wide variety of fields, but the majority of the these activities fall in to three broad categories: Education, (21%), Community and Social Services (21%), and Business Services for SMEs (29%). It also found that over 75% of social entrepreneurs are under 39 years old (Ding 2017).

Social enterprise in its current form is a new phenomenon in China. But as an old Chinese saying goes: a little spark may kindle a great fire. Many social enterprises are rising stars with great potential due to their unique positioning and innovative approach to tackling societal challenges, and satisfying unmet social needs, especially from underprivileged groups in China.

7 Conclusion

The SDGs set out the UN agenda for people, planet, prosperity, peace and partnership achieving a prosperous, inclusive and sustainable society for all by 2030. The purpose and vision of the Agenda can only be achieved if people's mindset is changed and people's trust in today's capitalism is restored. The former Secretary-General, Ban Ki-Moon once said, "*The SDGs represent the change we need in order to restore people's trust in the global economy. The SDGs represent an enormous opportunity to make our economy work with dignity for all, prosperity for all and a better planet for all… The SDGs aim to end poverty in all its forms everywhere, ensuring people live in dignity and prosperity while protecting the planet*."[2] Creating a prosperous, inclusive and sustainable society where everyone can live in dignity and prosperity is always a great challenge and a long way to go. The challenge is how we are able to create a new economic system and model that unleashes innovation and entrepreneurship potential in young people as a creative force, and particularly, empower young people as leaders and engage them in the achievement of the SDGs. We believe that it might be the most important responsibility for the United Nations to shoulder in its attempt to strengthen and increase commitments at the global, regional and national levels so that young people's needs can be met, help them realize their rights, and recognize their positive contributions as agents of change. Because "*All our hopes for a better*

[2]Ban Ki Moon, 17 July 2016. https://www.un.org/sg/en/content/sg/statement/2016-07-17/secretary-general%E2%80%99s-remarks-opening-unctad-14-prepared-delivery.

world rest on young people. The world is home to the largest generation of young people. Sustainable development, human rights, peace and security can only be achieved if we empower these young people as leaders"[3]. Young people of today are the ones who will lead the world in creating the new civilization we desperately need. They are already hard at work, looking for ideas and an action agenda. Once they know what they want, they can achieve it much more easily than it could have been done thirty years back. Today's youth are remarkably well equipped for any big task. They are better educated than any generation in history; they are highly diverse and globally connected. Today's youths have only a blurred picture of what kind of world they want. However, they have realized that neither have the academic world and political world given them a roadmap to the better world they desperately want, nor have they been provided the tools they need to design a roadmap of their own (Muhammad 2017).

In September 2018, the United Nations launched Youth 2030: The United Nations Youth Strategy at a high-level event of the 73rd session of the General Assembly. We have observed the momentum of great progress that young people have made in transforming the economic and social systems in the last decade. Thousands of people and organizations have already embraced the new economic model through their own social action groups in the world, launching innovative social businesses designed to serve human needs rather than accumulate wealth. They are bringing solar energy to millions of homes in Bangladesh; turning thousands of unemployed young people into entrepreneurs through equity investments; financing female-owned businesses in cities across the United States; bringing mobility, shelter, and other services to the rural poor in France; and creating a global support network to help young entrepreneurs launch their start-ups (Muhammad 2017).

I have not forgotten the wisdom of Peter Drucker, the founder of modern management style when discussing innovation and entrepreneurship. His famous quote for his thoughts on entrepreneurship is "*The entrepreneur always searches for change, responds to it, and exploits it as an opportunity*." The implication is obvious, the international community and national authorities should ensure to empower young people as leaders, innovators and entrepreneurs for social change in their communities, and society as a whole. Specifically, young entrepreneurs should be on the look out for change that the UN 2030 Agenda may bring about, and respond to SDGs, take advantage of SDGs and exploit SDGs as the opportunity, and make the most of it.

Realization of SDGs requires young people to start businesses that are more socially and ecologically inclined. Social entrepreneurship provides viable and innovative solutions to social and environmental issues at the local, national and regional levels. It can also showcase the benefits and value of social business to policymakers and other relevant stakeholders, the ecosystem will be strengthened, and young social entrepreneurs will be able to trigger social transformation in their communities, and thereby contribute to sustainable development.

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[3] Antonio Guterres, UN Secretary-General at UN SG Launches Young 2030 Strategy, 2018. https://www.un.org/sustainabledevelopment/blog/2018/09/youth2030-launch/.

As I discussed previously, to achieve the UN 2030 Agenda, SDGs and each target must be translated into action plans at country level. As the largest developing country in the world, China has always given a top priority to development. China attaches great importance to the 2030 Agenda. For example, the UN 2030 Agenda has been closely integrated in domestic mid-and-long term development strategies of the 13th Five-Year Plan. The Chinese authority also recognizes that the achievement of SDGs largely relies on innovation and youth entrepreneurs in the future. Since 2015, the Chinese authority has encouraged young people to engage in mass entrepreneurship and innovation campaign. The strategy of mass entrepreneurship and innovation will not only boosts employment, social innovation, and the development of industries, but also transform economic development mode from efficiency-driven economy, which exhibits scale-intensity as a major driver of development, to the innovation-driven stage of development, which is characterized by their production of new and unique goods and services that are created via sophisticated, and often pioneering, methods.

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Sustainability Orientation and Business Perspectives: How Kazakhstan Is Coping with the Shared Imperative

Sam Sarpong

1 Introduction

Kazakhstan's President Nursultan Nazarbayev has proposed that by 2050, Kazakhstan must become one of the top 30 most developed countries in the world (OECD 2014; Keene 2013). Such an ambitious task seems to be the driving force behind the country's effort towards the achievement of the Sustainable Development Goals (SDGs), set up by the United Nations. Today, the country can boast of enormous achievements since gaining independence from then Soviet Union in 1991 (Whiteshield Partners/UNDP 2016). It is currently the economic centre of Eurasia and has shown much commitment in accelerating its economic development in order to attain its stated intentions (OECD 2011). Kazakhstan currently lies in the 35th position among 190 countries on the World Bank's Doing Business Index (World Bank Report 2017).

As the largest economy in Central Asia, it also attracted over $265 billion in foreign direct investment (FDIs) between 2005 and 2017. FDIs have mainly focused on the hydrocarbons industry and most have emanated from companies such as Chevron, Exxon, Shell and ENI, Russia's Rosnet and Lukoil and China's Sinopec and CNPC (Hardin 2012). With an economy that relies heavily on natural resource reserves with oil as its number one priority, Kazakhstan has suffered severe setbacks, in recent, in view of the plummeting oil prices (Hardin 2012). Its response to the fall in oil prices was the launch in 2014 of the 'Nurly Zhol' (Path to the Future)—an economic stimulus policy for the period 2015–2020. Under this policy, approximately $9.5 billion from the National Investment Fund, saved during the years of high commodity prices, has been earmarked for investment in the country's road and rail infrastructure, logistics, agribusiness, IT, manufacturing and tourism.

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The infrastructure component of Nurly Zhol partly integrates into Kazakhstan's contribution to the re-establishment of the Old Silk Road. This route traverses the territory from China to Europe, running across Kazakhstan, and is a key element of China's One Belt, One Road strategy. It is designed to boost cooperation and revolutionise logistics between China and Europe by land and between China and Oceania, India, Pakistan and Africa by sea. This vast project is expected to bring new investment to Kazakhstan and also boost its desire to boost its development agenda.

The chapter, thus, provides an overview of Kazakhstan's stance in securing a progression in its development agenda. It considers key issues inherent in the country's policy of 'greening' key economic sectors in order to ensure sustainable development growth. It further looks at the role of business in the whole frame of things and the challenges that companies in Kazakhstan are confronted with in the light of recent global demands in meeting the SDGs. It is particularly interested in how these challenges can be transformed into opportunities for businesses as they pursue economic growth whilst minimising social and environmental risks and impacts.

The chapter is structured as follows. It begins with a general assessment of SDGs and sustainable orientation. It then delves into the state of Kazakhstan's economy. It subsequently provides an insight into the push for sustainability in Kazakhstan's economic transformation. This is followed by the allure of business to sustainability issues. The next stage offers discussions on the issues under consideration. Finally, the chapter draws its conclusions in the light of the issues discussed.

2 Sustainable Development Goals

In September 2015, the 2030 agenda for Sustainable Development was adopted by world leaders. The agenda calls for improvements in the lives of people everywhere in the world. Its 17 goals spell out the need for governments, businesses and civil society to mobilise efforts at transforming the world into a better place to live in. The expectation is that every effort would be made at every level from governments to businesses to turn the aspirations into realities. Indeed, for those in business, Polman (2016) argues that SGDs are the fundamental cornerstone to secure future economic and business growth since it is not possible to have a strong, functioning business in a world of increasing inequality, poverty and climate change.

The goals include the elimination of hunger; the provision of quality education; improving health and well-being; gender equity; access to clean water and hygiene; cheap and environmentally friendly sources of energy; decent work and economic growth; industrialisation, innovation and infrastructure; the reduction of inequalities; sustainable development of cities and regions; responsible consumption and manufacturing; action on climate change, among others. It has an inclusive and universal agenda, built on the co-ownership of all actors and on the understanding that these shared common goals could be achieved through collaboration and collective action in a transparent, interlinked, universal space.

3 Sustainability—Issues and Concerns

The literature is rife with attempts to define sustainability (Robinson 2004). The term sustainability has become popular in policy-oriented research as an expression of what public policies ought to achieve (Kuhlman and Farrington 2010). Currently, there are many terms used to delineate that, such as sustainable development, human sustainability, social sustainability, ecological sustainability, environmental sustainability, and corporate sustainability as well as aligned concepts of corporate social responsibility and corporate citizenship. As a result, 'sustainability' is in danger of carrying so many implications and nuances that in order for it to be properly understood, it must be defined whenever it is used (McKenzie 2004).

Although many definitions abound, the most often used definition of sustainable development is that proposed by the Brundtland Commission (Cerin 2006; Dernbach 2003). The commission identifies the fact that humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED 1987). Hence, sustainability can be loosely defined as a state of affairs where the sum of natural and man-made resources remains at least constant for the foreseeable future, in order that the well-being of future generations does not decline (Kuhlman and Farrington 2010). This broad definition, which will be used in this chapter, does not limit the scope of sustainability. The explanation, however, touches on the importance of intergenerational equity which is very important for our discussions.

Sustainability can, therefore, be seen as a process that has the tendency to help create a vibrant economy and a high quality of life, whilst at the same time respecting the need to sustain natural resources and also protecting the environment. It expresses the principle that future generations should live in a world that the present generation has enjoyed and in a state that is not diminished (Clough et al. 2006). Therefore, it embodies the promise of societal evolution towards a more equitable and wealthy world in which the natural environment and cultural achievements are preserved for generations to come (Dyllick and Hockerts 2002). Ultimately, sustainability requires responsible, ethical choices and governments and businesses alike can spearhead this behaviour through good governance and the quality of their products and services.

According to the Bruntland Commission, meeting essential needs requires not only a new era of economic growth for nations in which the majority are poor, but an assurance that those poor get their fair share of the resources required to sustain that growth (WCED 1987). Such equity, as the commission noted, should be aided by political systems that secure effective citizen participation in decision making and by greater democracy in international decision making. The fact, however, is that there can be no sustainability without strict adherence to good governance principles in either business or the governed. For there to be sustainable development, there is the need for good governance (Bosselmann et al. 2008; Sharma 2001). In contemporary global corporate practice, good governance is often touted as the cornerstone of sustainability. It, therefore, stands to reason that for Kazakhstan to be able to earn its

sustainability credentials in the near future, it would need good governance in both its political situation and its corporate world in order to spearhead that drive.

It could be said, though, that the government of Kazakhstan has shown, in recent times, a strong commitment to enhancing transparency, accountability and participation in the policy-making process, and has taken important steps towards implementing an open government (OECD 2017). That said, there is also political stability and rising prosperity on the basis of the country's enormous resource wealth, promoting economic modernisation and an official discourse of interethnic peace (Dave 2012). But as the OECD (2017) admonishes, further efforts are needed to ensure the success and long-term sustainability of Kazakhstan's open government reforms, which it notes, requires more openness in order to ensure citizens participate in the governance process.

Kazakhstan's public governance structure has been undergoing reforms in the last five years to improve its efficiency and effectiveness. In 2016, the government continued to implement the second stage of its 2013–2020 governance strategy, a move intended to promote the president's desire to ensure local self-governance remains a major priority for his administration (Freedom House 2017). The Kazakh government has also reviewed the sustainable development goals and has considered its role in attaining them. Recognising the importance of harnessing its efforts at championing the SDGs in Kazakhstan, the government has continued to commit itself to promoting the wide range of measures to aid sustainable development principles across the country at all levels. The national strategy includes: integrating economic and environmental goals in policies and activities; ensuring that environmental assets are properly valued; providing for equity within and between generations and recognising the global dimension.

Already, most SDGs can be found in strategic development documents of Kazakhstan. For example, the broad scope of SDG 16 that promotes access to justice and building effective, accountable and inclusive institutions are captured well in the five institutional reforms and 100 Concrete Steps initiated by the country's President. The country's Ministry of Foreign Affairs is now mapping out the SDGs against the national priorities and instruments to tailor SDGs into Kazakhstan's national context. The resort to these measures is a clear indication of the sustainability orientation of the Kazakh government.

4 Sustainable Orientation

The chapter holds the view that sustainability orientation recognises efforts made to accentuate the position of instilling sustainability issues in the development agenda. It is therefore, in this vein that many governments and institutions have in recent years acceded to the need to promote the long-term sustainability of development actions. Such governments view sustainability issues as pragmatic means of developing their economies. This recognition lies in the purview of an open government. In this respect, the ultimate potential lies in such countries' abilities to improve human

wellbeing, advance progress on transparency and anti-corruption, accelerate action on sustainable development and climate change, among others. For these governments, any policy changes that seek to advance sustainable development must begin with the attendant choices that fully impacts on their future prospects.

Therefore, developing a methodology to assess a government's effort in promoting sustainable development would principally be to examine the differing strengths that governments bring to the task of advancing this new paradigm for growth. State capacity, or the ability of states to form and implement policy across the whole of their territory, is an essential prerequisite for sustainable human development (UNDP 2014). This can be examined by looking at states through the lenses of their powers, their fiscal capabilities, transparency, effective and accountable governance in ensuring that development benefits their people and their capacity to lead. These are the bases upon which the chapter would dwell in accentuating the issues in Kazakhstan.

5 The Push Towards Sustainable Development

Kazakhstan has taken a proactive approach in promoting the SDGs. It has shown its readiness to transit to a green economy, boost civil service reforms and further strengthen its position as a regional convener in various sectors. It is aware that the future of energy is not hydrocarbons but renewables. In recognition of this, it has been keen on ensuring that by 2050, half the country's energy needs would be met by renewables such as solar, wind, hydro and biomass. The country has enormous potential in renewable energy, particularly in wind and solar. It is currently estimated that wind power can potentially produce 25 times more energy in a year than it is currently being produced from hydrocarbons. Kazakhstan also sees vast opportunities to conserve energy, including at the consumer end by 50–60%. In addition, steps are being taken to reduce greenhouse gas emissions in the country, whilst the country is also aiming at diversifying its economy and to reform its agricultural and industrial sectors to promote scientific innovation and the use of advanced technologies.

From the fore-going, it is quite evident that Kazakhstan has set itself a very tough goal. The fact that it wants to become one of the 30 developed countries in the world by the year 2050 has given it the added impetus to ensure that it attains a high level of progression. In view of this, there is that keenness to ensure the sustainable development goals are pursued vigorously. Such a strong government endorsement has helped to stimulate economic drivers of green development. Clearly, 'greening' the economy of an oil-producing resource-based country requires sustained political commitment, significant long-term investments and a range of other enabling conditions, including coupling with industries.

In line with its current drive, Kazakhstan has initiated a 'Green Bridge Partnership' to bring together governments, international organisations and private business to find transnational solutions to sustainable growth. That has culminated in its recent hosting of Expo 2017 which was a platform for speeding up the sharing of innovative

technologies and creating new impulses for regional co-operation. The idea behind this was to build international awareness of the energy and environmental challenges that confront countries in the Central Asia region. It was also to help establish Kazakhstan as a hub for developing alternative energy solutions across Central Asia.

6 Assessing the Environmental Considerations

For an oil-producing country that has been in transition since the 1990s, Kazakhstan's ambitions present many opportunities and challenges as it moves away from a 'brown' economy to a 'green' one. Kazakhstan inherited a number of environmental challenges from the Soviet times including nuclear testing programmes in Semipalatinsk, land desertification, and water issues including the shrinking of the Aral Sea (Nugumanova and Frey 2017). Nuclear testing in Semipalatinsk and industrial complexes in the north-eastern parts of the country during the Soviet times caused ecological disaster including high levels of air, water and soil contamination (IBRD/World Bank 2015).

Rapid growth in the 1990s following the independence and extensive development in the oil and gas sector, have further contributed to considerable environmental issues. In some instances, enterprises took advantage of the imperfect legislation, resulting in the growth of accumulated waste stockpiles, high greenhouse gas emissions and water supply contamination (OECD 2014). At the moment, areas close to the oil extracting regions in Kazakhstan are experiencing uneven development as environmental impacts continue to compound the already high levels of poverty in the regions (Ospanova 2014).

The impact of climate change is also visible in Kazakhstan as an increasing number of periodic heat waves, including increasing water deficits and changes in the weather pattern have already had an impact on the economy, especially on the agricultural sector (Janusz-Pawletta and Helms 2014). More recently, the International Energy Agency identified Kazakhstan as the number one country in greenhouse gas emissions per capita (UNECE 2008). Whilst the energy sector is said to be the main source of these emissions, emissions from heavy metals, due, in part, to the fact that coal is largely used in enterprises as an energy source, further contribute to air, water and soil pollution (UNECE 2008). The government's response has been to fine companies which have exceeded their emission targets (OECD 2016).

Meanwhile, a major effort to systemise and improve the nature of the protection regime in the country by laying out the frameworks, mechanisms and aspirational targets has also been made. In view of the recent actions and also in an attempt to increase transparency, there has been some level of disclosure and reporting initiatives in Kazakhstan among many companies of late (Ospanova 2014).

7 Sustainability in Business

Companies have without doubt a large influence on the economy and life in general, hence no sustainable development is possible without a sustainable development of corporations (Schaltegger et al. 2011). Sustainable businesses are redefining the corporate ecosystem by designing models that create value for all stakeholders, including employees, shareholders, supply chains, civil society, and the planet (Wheelan and Fink 2016). Indeed, the role of business in society is highly acknowledged (Mujthaba and Cavico 2013). As a result, the renowned academics, Michael Porter and Mark Kramer pioneered the idea of 'creating shared value,' arguing that businesses can generate economic value by identifying and addressing social problems that intersect with their business (Wheelan and Fink 2016). Corporate sustainability strategies are, therefore, challenged to recognise both, economic sustainability as well as social and environmental sustainability equally (Parnell 2008).

The idea of creating a business case of sustainability has also been discussed for many years from various perspectives (see Schaltegger and Wagner 2011; Perceva 2003; Dyllick and Hockerts 2002). Sustainability, understood in its three dimensions (economic, social and environmental), is the key feature that seems to allow companies to connect with the SDGs. Quite importantly, many companies have come to appreciate the fact that sustainability is essential for their long term success. Embedded sustainability efforts clearly result in a positive impact on business performance (Wheelan and Fink 2016). The notion of sustainability, therefore, provides a basis for companies to make a significant contribution to the SDGs, often through their core operations.

The business case for sustainability advocates that the adoption of business policies that are aligned with the objectives of sustainable development can increase business value. The business case is therefore something of a deviation from traditional thinking on how to increase business value. With growing sensitivity toward social issues, companies are increasingly expected to take greater responsibility for making sustainable development a reality. The fact that companies are founded and run for economic purposes requires management to develop most of its societal engagement in relation to the economic goals of the corporation. This notion clearly denotes the key embrace of both sustainability and CSR.

8 The Concept of Sustainability and CSR

The concepts of sustainability and corporate social responsibility (CSR) have been among the most important themes to emerge at the global level in the last few years. Sustainability and CSR are seen as comparable concepts in this chapter, since both take into consideration environmental, social and economic dimensions and both refer to a long-term perspective based on meeting the needs of the present with responsibility and without compromising the ability of future generations to meet their needs.

Those two terms, 'sustainability' and 'CSR' have progressively converged and today they encompass similar dimensions and are often applied as synonymous or comparable terms (Emerson 2003). CSR is a concept whereby companies integrate social and environmental concerns into their business operations and interact with their stakeholders on a voluntary basis (European Commission 2002). It allows a business to respond quickly to the emerging needs of a society, whether they are economic, environmental, or social problems. The real meaning of sustainable development is a constant affiliation among human actions, including the desires to get better their way of life and the sentiment of well-being on one hand, and the natural world's resources and ecosystem on the other.

Firstly, the two concepts involve multiple levels of analysis (individual, group, firm, community, etc.) and multiple stakeholders (employees, shareholders, clients, suppliers, partners, community members, etc.). Aside from that, CSR and sustainability deal with issues related to three distinct spheres that sometimes overlap: social, environmental and economic. According to the IISD (2007) CSR is an entry point for understanding sustainable development issues and responding to them in a firm's business strategy. Porter and Kramer (2011) use the term 'shared value' to underscore the value of sustainability and for business leaders to use a decision-making criterion in business that works in line with practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates in. Hence, business sustainability is all about serving the needs of one's customers, clients, and stakeholders across the globe in a socially responsible and, thus, concomitantly an economic efficacious manner (Mujthaba and Cavico 2013).

9 Challenges Faced by Companies in Kazakhstan

Many companies in Kazakhstan are facing challenges that oftentimes limit their potential to grow. They have issues with weak financial markets, limited local buying power and lack of qualified talent. Other challenges include a small private sector, corruption, limited entrepreneurship, low quality and relevance of education—particularly in the tertiary and vocational sectors—and low levels of research and development spending. For years, many companies were mostly concerned about economic efficiency which is based on high productivity and high returns and hardly thought about ecological aspects. As a result, there has been an increasing gap between economic and ecological efficiencies.

Kazakhstan's development, for the next years, is now defined by the direction taken to 'green economy.' The transition to 'green growth' is one of the main options for sustainable development. The strategies for a resource-efficient green economy, provide for a framework that is focused on the replacement of outdated technologies with modern sustainable alternatives to ensure cost cutting and improvement of human health. In addition, this would create 'green jobs' while providing a positive impact on the environment. Greening the economy requires new and upgraded infras-

tructure, greening of current industries and creating new ones that produce ‘greener goods and services.’ This, therefore, requires a mix of regulation, economic, fiscal and information instruments.

Without doubt, the transition to a ‘green economy’ in a country that has rich natural resources requires extensive research on the efficacy and adaptation to the national context. The main mechanisms for achieving this objective are to stimulate investment into the development and use of non-carbon energy sources, conservation and restoration of natural resources. For now, the government is cooperating with developed countries and the World Bank on technological innovations for further emission reductions.

The SDGs, therefore, present a compelling call to action, to which businesses have a collective responsibility to respond to. But for business, addressing these challenges isn’t just the right thing to do; it can also be a source of incredibly exciting growth opportunities. Currently, businesses have begun to support the transition to a circular economy, recognising that optimising their social and environmental impact can potentially boost their long-term growth.

10 SDGs and Businesses in Kazakhstan

Kazakhstan offers a disconcerted case, in that, many companies in the country have not fully comprehended the depth of the SDGs. Some firms do not even know as to how best to implement the goals. It must be said, though that some efforts are being made to embed the SDGs into the planning processes and current initiatives of some companies. Such companies are seeking to contribute to the achievement of one or several of the 17 Goals. Some of the private firms especially those in the energy sector are now providing much support to the economic and social development of their areas of operation. They are also seeking to create stable and trustworthy relations with the local communities through the promotion of local content, in terms of employment, transfer of know-how and building relationships with local suppliers and subcontractors. Attempts are also being made to minimise the ecological footprint of their activities, both onshore and offshore, whilst a focused approach is being applied towards promoting the growth and personal development of employees and health and safety issues at work.

The promotion of local content and the proactive and open approach in the relation with the communities are helping to create long term value through a sustainable business strategy based on the ‘core’ attitude of the firms, which in essence, are to generate wealth and promote a sustainable development for the country. Interestingly the firms have started to consider sustainability as a driver in the process of continuous improvement in order to guarantee results over time, whilst reinforcing their business performances and reputation. There is continuous dialogue now with stakeholders in order to pursue shared objectives for the creation of value and opportunities for sustainable development. More importantly, the firms have now become aware that dialogue and shared objectives are the way to create reciprocal value. Most of the

social initiatives undertaken by some of these firms are agreed with the relevant local authorities and other interested stakeholders on the basis of their specific needs and objectives.

The increasing presence of the major energy companies in Kazakhstan is also facilitating high levels of technology transfer, as well as the introduction of new business practices within and substantially beyond the energy industry. Their presence has also been important in helping Kazakhs to maximise local added value to oil and gas production, by increasing the country's refining capacity in a drive to eventually make the country self-sufficient in oil derivatives.

In the last few years, numerous Responsible Business Conduct (RBC)-related public and private initiatives have also been established in Kazakhstan in response to the need for firms to be more responsible in the course of their operations. Prior to that, the knowledge of responsibility issues was quite negligible. Many stakeholders hardly knew much in terms of the rules that govern business activity, universal human rights, and specific instruments that enshrine these rights, including the UN Guiding Principles and the OECD Guidelines (OECD 2016). As the OECD indicates, many businesses still do not fully understand the extent of their responsibilities, whilst stakeholders, simply put, do not also seem to appreciate the need to ensure their basic rights are respected. This perhaps lies at the core of the flagrant abuses that have led to businesses disregarding their commitments to communities and other stakeholders in Kazakhstan in the past. Civil society in Kazakhstan also stands accused of not doing much in terms of promoting the rights of communities as against the claims of irresponsible acts of business. It is widely perceived that NGOs in the country rather represent the interests of the government or industry groups (Nugumanova and Frey 2017).

In the last few years, however, a conscious effort has been made to change the face of business responsibility in Kazakhstan. For instance, in 2008, the first National Forum on Corporate Social Responsibility was held to foster dialogue between business and the government on RBC. The concept was later adopted by the government as a national strategy. Additionally, in 2011, the Eurasian Foundation of Central Asia, an organisation that seeks to promote effective solutions to social problems in the region, spearheaded the creation of a CSR Club of Kazakhstan whose mission was to promote CSR culture through the dissemination of best practices and standards that promote sustainable development (OECD 2014). These developments represent a very positive step in the right direction for Kazakhstan on how RBC is understood at a conceptual level. Thus, over the past few years, practically all large companies in Kazakhstan have adopted some kind of corporate responsibility vision, incorporating many of the CSR approaches in operation worldwide, including sustainability reporting, stakeholder engagement practices, and becoming more strategic about their social investment portfolios (Ospanova 2014).

Now many companies are seeing the need to strengthen their ties with their stakeholders and have, thus, started to build their sustainability plans around the SDGs. Somehow, they see these goals as important in providing an overarching and globally endorsed framework that can bring together all their current corporate social responsibility, sustainability and environmentally-friendly initiatives. Therefore, incorpo-

rating sustainability into business strategy and embedding it into their organisations has become a very compelling business case in Kazakhstan.

11 The Corporate World—Better Business, Better World

Notwithstanding the considerable progress being made on sustainability issues within Kazakh firms, it needs to be stressed that it is still confronted with some challenges. For instance, sustainability reporting leaves much to be desired. A key challenge for corporate leaders in Kazakhstan, thus, would be to rethink their business strategies by enhancing transparency and accountability in their operations because 'sustainability reporting' is the way to go for firms in their quest for a sustainable society. Furthermore, current ethical concepts in business also emphasis the significance of sustainability reporting in improving transparency and accountability, which are key determinants of good corporate governance practices.

Corporate governance remains a relatively new concept in Central Asia, but, in recent times, more and more executives are beginning to understand that good corporate governance makes companies more transparent, accountable, and trustworthy, especially in their relationships with investors and business partners. With support from International Finance Corporation, a member of the World Bank Group, more companies across Kazakhstan are now adopting international standards in corporate governance as part of IFC's commitment to developing the private sector. This development is driving some of the major companies to conduct their own development initiatives as part of internally run programmes. The use of external partnerships is propping them up to meet their set objectives. Closer relationships with, and understanding of, the work of development agencies has also helped the companies to develop more relevant programmes that meet shared development goals. Theoretically at least, these benefits should help to enhance development outcomes for businesses and societies at large.

12 Discussions

Presently, businesses are not only finding it increasingly difficult to stay afloat, they are also having to maintain their public reputation by adjusting to new environmental and social factors as enforced by law, demanded by consumers, and encouraged by shareholders. The implications of this change are that high performers are most likely to become high learners as they adapt and adopt. But the truth, however, is that finding new ways to address the social, economic, and environmental effects of doing business, while balancing the conflicting demands on making profit seems quite demanding too. Yet that is what can keep the 21st century company on course, as it requires such firms to negotiate the alignment of CSR with business strategy to create a truly sustainable business.

The question that often engages the minds of business executives now is how to create a business model that can provide a remedy for the myriad of issues the present generation is faced with. How would that stand out? How would that cope with the demands of our present generation? Answers to these require a great deal of circumspection. Today, the society has become more knowledgeable, health conscious, very demanding and also a strong advocate of anything sustainable. Society has also been uncompromising on the issues of the environment, wealth and job creation, and the general attitude of business firms. Finding solutions to the demands of all those who have a stake in the operations of business entities seem the most likely outcome to generate a business of our century.

But how can these be achieved in an emerging economy like Kazakhstan? To some extent, the present situation seems to yield few ideas as to how all these SDGs could be reached. Perhaps, an attribute of this is that, almost completely missing from today's problem-solving activities is an expansive, ambitious vision of a sustainable world, let alone a clear notion of what sustainability is. According to Solow (1993), it seems appropriate to suggest that the discussion of sustainability has been mainly an occasion for the expression of emotions and attitudes, with very little formal analysis of sustainability or of sustainable paths for a modern industrial economy.

Indeed, the sheer scale and scope of the SDGs make the private sector's support in Kazakhstan even more crucial than ever. Not only is the private sector a major decision-maker in helping out in reaching these goals but it gives firms the prominence attached to being responsible and pursuing opportunities to solve global challenges. For one thing, companies which offer affordable solutions to climate, health, and other SDG-linked concerns can generate new markets for their innovative products and services. This means that businesses in Kazakhstan need to understand the compelling case for the SDGs, determine methods to incorporate them in their activities, and ultimately find ways to make them part of their organisational culture, reporting systems and operations.

Located in a strategically vital area between Europe and Asia, Kazakhstan has the opportunity to play a major role in developing sustainable energy solutions. It can absorb European experience, and by adapting and applying it to address the urgent challenges that the country faces. Incidentally, economic development itself is undermining the very roots of sustainability issues in the country. Instead of creating human satisfaction, consumption has become a central cause of unsustainability in both environmental and human terms in Kazakhstan. Developing a business case for green economy in a country, where the entire economy is dominated by the extractive industry and its interests, therefore poses a huge task (Ospanova 2014).

As in any country that experiences rapid growth, like Kazakhstan is experiencing, there can be a lag between adopting and promoting relevant principles at a conceptual level and implementing those principles on the ground. Additionally, considering that institutions are in continuous state of development in such instances, agencies that can credibly monitor and report on business activities often do not exist and when they do, they often lack the requisite expertise to act or are constrained by 'powerful officials.' It is important to realise that the existence of natural resource rents oftentimes erode the overall institutional quality of such countries by contributing to higher levels of

corruption (Kolstad and Soreide 2009) and Kazakhstan is no exception. The adverse relationship of natural resource rents with corruption is related to the fact that the market structure of natural resources is often oligopolistic and the high degree of 'regulatory discretion' provides grounds for the implementation of policies, which favour private interests at the cost of public welfare (ESCAP 2017).

Meanwhile, the civil society in Kazakhstan lacks capacity to address some of the issues confronting the country (Nugumanova and Frey 2017). It does not have a longstanding tradition of being independent in relation to economic issues, and particularly regarding the extractive sector (Ospanova 2014). According to Ospanova, there is a widespread perception that non-governmental organisations tend at least to be politically-associated, or indeed effectively 'spin-offs' of the governing or opposition political groups. Such a situation makes NGOs non-committal to the causes of community members in the fight against environmental and human right abuses. The lack of institutions or bodies to help the cause of host communities where the extractive industries normally operate, has led to deprivations in the communities with high-levels of unemployment, pollution, and poor infrastructure despite recent attempts at social interventions (Paggi 2010).

A recent research shows that awareness among companies regarding sustainability issues is growing, but action to change is still minimal (Corporate Citizenship 2016). The study noted that a growing number of companies worldwide are mapping their strategies retrospectively to the sustainable development goals. But, it found out that, to date, there is not much evidence of companies taking to heart all the goals set in the 2030 agenda. The same can be said of Kazakhstan, in that, although a number of companies tout their sustainability credentials through their sustainability reports, in real terms, not much has been done in that light. It is, therefore, important for the Kazakh government and its development partners to strengthen their communication and outreach efforts to ensure the SDGs are understood, not only by the private sector, but also by citizens, whose behaviours, attitudes and priorities will determine business operations in the country.

The current measures in place can succeed if there is a great deal of focus on the green economy policy concept in such areas as renewable energy, energy efficiency, water governance or waste management. There is also the need for coherent measures to mainstream the green economy, such as a multi-stakeholder green economy forum, screening of public expenditure, green accounting, among others. Another significant thing also is the need to increase Kazakh institutional capacities and governance in order to improve accountability and enable effective public oversight of the green economy programme. The next few years, meanwhile, will be crucial for laying the groundwork for sustainable development if Kazakhstan is to make a meaningful transition to a green inclusive economy by then. Domestic support would be essential, whilst international engagements can help to ensure that the process is more inclusive. Such steps would help Kazakhstan in its transformation from its global positioning of being a mere source of raw materials and energy into an advanced, resource-efficient and environmentally-friendly economy (Ospanova 2014).

For development to be sustainable and equitable, a new approach would also be needed that addresses the political, as well as the technical, aspects of development

solutions. Improved governance across many dimensions in Kazakhstan should be a key part of this new approach. Good governance can address some of the fundamental obstacles to sustainable development including exclusion and inequality (UNDP 2014). What needs to be reiterated is that good governance and effective institutions have direct and indirect effects on the achievement of inclusive economic expansion and the transformation of an economy (ESCAP 2017). Specifically, governance affects the capacities of an economy to improve investment prospects, to innovate and thus increase levels of productivity, and to develop and to have access to a skilled labour force. All these aspects contribute to the prospect of sustained economic expansion and the effective pursuit of the 2030 Agenda (ESCAP 2017).

13 Conclusion

What the chapter has sought to do was to put Kazakhstan's pursuit of SDGs in perspective and to evaluate the key challenges it would be faced with in the course of this. It noted that a concerted effort by the government, private sector, non-governmental organisations and all groups of society are critical to ensure the fulfilment of the SDGs. The active involvement of research institutions is also an integral element of work needed to make SDGs a reality because the goals are inclusive, closely interlinked, and require a holistic and result-oriented approach to obtain impactful outcomes. Such research institutions can have the productive capacities to help develop the required concepts and create a balanced understanding of inter-linkages between the various SDGs in the context of Kazakhstan, and lay out a solid foundation for making informed and meaningful decisions concerning the SDGs. It also noted that the pursuit of the SDGs is clearly an opportunity for businesses in Kazakhstan to make a mark for themselves by being innovative and supportive of social programmes while also offering the government the prospect of improving its governance structures for the betterment of the people.

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India's Contribution to the Sustainable Development Goals (SDGs) With Respect to the CSR Mandate in the Companies Act, 2013

Nayan Mitra and Bhaskar Chatterjee

1 Introduction

The Sustainable Development Goals (SDGs), also known as the Global Goals have been variously described as 'universal, integrated, indivisible and mutually re-enforcing' (UN News Centre 2016) as well as 'ambitious and transformative' (UN News Centre 2016). It is a natural progression from the Millennium Development Goals (MDGs), formulated with inputs from the global business community and collated to make the world more 'liveable' for the next generations. SDGs address the basic tenets of sustainability, that comprises of economical, social and environmental development. In its dedication to make the world a better place to live in, it has been able to acquire political commitment from 193 member states of the United Nations (UN), that includes India and make them adopt 17 goals, 169 integrated and indivisible targets, pertaining to sustainable development.

The SDGs that came into being in January, 2016, collided with India's very own Corporate Social Responsibility (CSR) mandate under the Companies Act, 2013 which came into operation from April, 2014. The Schedule VII (Appendix 1) of this Act, through repeated revisions, since its formulation, helps the Indian Companies with certain inclusion criteria as laid down by Section 135 of the Act (Appendix 2) to prioritise the areas of intervention for the most rapid developmental results in India and creates the possibility of delivering high impact outcomes while achieving stringent CSR norms and goals (Chatterjee and Mitra 2017). What is notable here is that, the interventions outlined in the Schedule VII, in many aspects pertains to the SDGs.

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2 Objectives

In keeping with this important phenomenon, this paper, has the following objectives:

(a) To explore and document the reasons for the inclusion of the Schedule VII in the Companies Act, 2013;
(b) To chart out the areas of similarities and differences of the Schedule VII and the Sustainable Development Goals; and also
(c) To investigate India's contribution to the Sustainable Development Goals, calculated through its CSR mandate.

3 Methodology

The 'Chatterjee Model,' that contributed to the Section 135 (Appendix 2) and Schedule VII of the Companies Act, 2013 is a new model of mandated CSR. It has been documented in various books and journals of repute like Springer's book on 'Corporate Social Responsibility in India' or its Journal, 'International Journal of Corporate Social Responsibility.' The model has already been mainstreamed as a statute in India, operational since Financial Year 2014–2015.

This paper uses extensive literature review to research and find the answers to its objectives. Needless to say, this has a very important contribution in understanding the relationship between Schedule VII of India's Companies Act, 2013 and the UN Sustainable Development Goals and calculate India's contribution through its CSR mandate to the SDGs.

4 The Why of India's CSR Mandate and Schedule VII

India has its own challenges as an emerging nation. On one hand it has the world's second largest human population next only to China and predicted to have one of the world's youngest and thereby the largest working population by 2026; yet, on the other hand, it ranks 135 among 186 countries in the Human Development Index (HDI) (Human Development Report 2013). This means that India has a great volume of people, who have a low life expectancy, education, and per capita income. According to a United Nations Educational, Scientific and Cultural Organisation (UNESCO) report (2014), the country has 287 million illiterate adults, accounting for the largest population globally and 37 percent of the world total (Bhowmick 2014) with just under 10 percent having any type of skilling (2 percent formal and 8 percent informal) (FICCI et al. 2012; Mitra 2015; Mitra and Schmidpeter 2016). Or, in other words, unless this population is developed and channelized, it will be a burden not only to India, but also to the world at large (Chatterjee and Mitra 2017).

Moreover, the environmental regulations in India lag behind similar regulations in Organization for Economic Cooperation and Development (OECD) countries by almost a decade and empirical evidence show that Multi National Companies (MNCs) in India and other emerging markets do not necessarily have stricter environmental standards than their local counterparts (Sawhney 2004; Khan 2007; Mitra and Schmidpeter 2016; Chatterjee and Mitra 2017). Hence, not just socio- economic parameters, but, India also needs to upgrade its environmental indicators to transition into a developed economy.

However, the dilemma lies in the fact that despite such unfortunate socio-economic and environmental indicators, India is home to the sixth largest super-rich population (billionaires) in the world. The total billionaire wealth was estimated to be $180 billion (Wealth-X and UBS billionaire census report 2013), bringing India's billionaire population to 103 (Mitra 2014, 2015; Mitra and Schmidpeter 2016; Chatterjee and Mitra 2017). Therefore, the population is divided between the haves and the have-nots. The country has urban India on one side and rural Bharat on the other (Chatterjee and Mitra 2017).

Thus, under these circumstances, it is imperative that the national agenda should **focus on empowering "the poor and the deprived section of the society"** to achieve significant and sustainable human development (Mitra and Schmidpeter 2016; Chatterjee and Mitra 2017) and to bring about inclusive growth.

Consequently the CSR mandate in India was formed. Section 135 of the Companies Act, 2013 stipulates that every company covered by the inclusion criteria of net worth of (Indian Rupee) INR 5 billion or more, or a turnover of INR 10 billion or more, or a net profit of INR 50 million or more should spend at least two percent (2%) of their average net profit in the previous three years on CSR activities. It also lays down the Schedule VII, detailing the priority areas where such CSR resources needs to be spent.

Moreover, the Act also specifies the formation and composition of the CSR Committee that should consist of three or more directors and that at least one director shall be an independent director. It is further stated that the CSR Committee's duties are to: formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; recommend the amount of expenditure to be incurred on these CSR activities; and monitor the CSR policy of the Company from time to time.

Thus, the Act recommends (Pricewaterhouse Coopers, PWC. 2013) that CSR activities should be managed like any other managerial disciplines: with sincerity; as part of normal operations; and integrated with other corporate objectives to provide some return or benefit for the organization providing it. It should be operated like an ongoing continuous twelve month rolling project and contain (among other things) a need based assessment; a baseline survey or study; clearly identified time frame; specific annual financial allocation; clearly identified and measurable milestones and objectives; robust and periodic review and monitoring; and, be evaluated and assessed by or together with a third party where possible (Isaksson and Mitra 2018).

This CSR mandate has been created 'for India, by India, in India', keeping in mind the unique Indian context and is 'Linked to the Inclusive Development Agenda of the Nation' (Chatterjee and Mitra 2016).

5 Similarities and Differences of the Schedule VII and the Sustainable Development Goals

However, what is noteworthy is that the interventions included in the Section VII of the Companies Act, 2013 has a number of activities, which, when done will help in attaining the 17 macro goals set under the SDGs. These SDGs were formed, based on the principle of the 5Ps namely, People, Planet, Prosperity, Peace and Partnerships and guided by the purposes and principles of the Charter of the United Nations to foster an inclusive agenda, between nation to bring about economic, social and environmental development by the year 2030.

The following Table 1 points out the similarities between the Sustainable Development Goals (that were formulated after over two years of intensive public consultation and engagement with civil society and other stakeholders around the world, done by the Open Working Group of the General Assembly on SDGs and by the United Nations) and the Schedule VII of India's Companies Act, 2013.

What is evident is that, 15 out of the 17 SDGs are already covered in the Schedule VII of the Companies Act, 2013 not as goals, but as activities pertaining to the macro goals of SDGs. This is indeed a very interesting phenomenon as India, as the second most populous country in the world had already incorporated some of the most important concerns of the world, much ahead of the formulation of the SDG.

However, there are the rest of the 2 macro SDGs that are distinct from the activities laid down in the Schedule VII. They are the followings:

10. Reduce inequality within and among countries.
17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

Similarly, the Schedule VII of the Companies Act, 2013 includes only one intervention that focus solely on the Indian context, as follows, delivered under point v:

(v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts.

Thus the planetary and global goals of the SDGs are not directly covered under the Schedule VII, but, the activities contained in the micro-levels in India lead to the macro levels. Similarly, India also has its local agenda of national development that indirectly affects the SDGs. Any development that is done with a goal to perpetuate, will, in the longer run, at some point, contribute to the SDGs, directly or indirectly. The Schedule VII of the Companies Act, 2013 is no different.

Table 1 Similarities between Schedule VII of India's Companies Act, 2013 and Sustainable Development Goals, 2016

Schedule VII of India's Companies Act, 2013		Sustainable Development Goals (SDGs), 2016	
Schedule VII No.	Schedule VII	SDG goal No.	SDGs
(i)	Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of Sanitation and making available safe drinking water	1	End poverty in all its forms everywhere
		2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
		3	Ensure healthy lives and promote well-being for all at all ages
(ii)	Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects	4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
(ix)	Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government		
(iii)	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	5	Achieve gender equality and empower all women and girls

(continued)

Table 1 (continued)

Schedule VII of India's Companies Act, 2013		Sustainable Development Goals (SDGs), 2016	
Schedule VII No.	Schedule VII	SDG goal No.	SDGs
(iv)	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to the Clean Ganga Fund set-up by the Central Government for the rejuvenation of river Ganga	6	Ensure availability and sustainable management of water and sanitation for all
		14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
		15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
		7	Ensure access to affordable, reliable, sustainable and modern energy for all
		9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
		12	Ensure sustainable consumption and production patterns
		13	Take urgent action to combat climate change and its impacts
(x)	Rural development projects	8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
(xi)	Slum development	11	Make cities and human settlements inclusive, safe, resilient and sustainable

(continued)

Table 1 (continued)

Schedule VII of India's Companies Act, 2013		Sustainable Development Goals (SDGs), 2016	
Schedule VII No.	Schedule VII	SDG goal No.	SDGs
(vi)	Measures for the benefit of armed forces veterans, war widows and their dependents	16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
(vii)	Training to promote rural sports, nationally recognised sports, para Olympic sports and Olympic sports		

Source Researchers' Compilation

6 India's Contribution to the SDG through CSR

The SDGs also acknowledges that "national ownership is key to achieving sustainable development, the outcome from national-level processes will be the foundation for reviews at the regional and global levels, given that the global review will be primarily based on national official data sources."

Among others, the 8-column 'Format for the Annual Report on CSR Activities mandatory to be included in the Board's Report' template (Appendix 3), as put forward in the Companies Act, 2013 has the potential to undertake this national ownership and add up to the national official data for these large, stable companies, especially in assessing the nature and amount of spent. In this regard, the columns 2, 3, 6 and 7 are of special mention; where, Columns 2 and 3 provides the CSR project or activity identified by the Company and the Sector in which the project is covered; whereas, Columns 6 and 7 provides quantitative data on the amount of INR spent on the projects or programs under the sub-heads of direct expenditure on projects or programs and overheads as well as Cumulative expenditure up to the reporting period respectively. In other words, this format objectively identifies the interventions under Section VII that has been selected by each Company as well as the amount spent in that particular intervention. As some of the priority areas as outlined in Schedule VII also collates to the SDGs, this reporting format under the Companies Act, 2013 also quantifies the specific amount spent on the macro SDG. This data is collated year on year by the Indian Institute of Corporate Affairs (IICA),[1] under the aegis of the Ministry of Corporate Affairs and can be analysed variously at both micro and macro level.

[1]Indian Institute of Corporate Affairs (IICA) is the institution which is at the forefront of the CSR initiative of the Government of India—being the think-tank as well as the arm of dissemination of its Ministry of Corporate Affairs and has a role of considerable significance to play.

For example,

A peep into the recent statistics would provide that in the Financial Year 2015–2016, 5097 Companies have done some expenditure on CSR, that also conforms to the SDGs, as follows (Table 2).

Table 2 CSR Spent (in billions) in select interventions under the schedule VII

Schedule VII No.	Schedule VII	CSR Spent (in billion INR)
(i)	Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of Sanitation and making available safe drinking water	3117 + 355 = 34.72
(ii)	Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects	30.73
(iii)	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	2.13
(iv)	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to the Clean Ganga Fund set-up by the Central Government for the rejuvenation of river Ganga	923 + 3 = 9.26
(vi)	Measures for the benefit of armed forces veterans, war widows and their dependents	4.97
(ix)	Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government	
(vii)	Training to promote rural sports, nationally recognised sports, para Olympic sports and Olympic sports	0.95
(x)	Rural development projects	10.51
(xi)	Slum development	0.09
Total amount		**93.36**

Source MCA (2017)

An assessment of CSR expenditure of 5097 companies for the year 2015–16 who have filed their Annual Financial Statements till 31st December, 2016 with the Ministry of Corporate Affairs, indicates a total of 98.22 billion INR spent on CSR, out of which 93.36 billion INR (Table 2) are in the areas that lead to attaining the Sustainable Development Goals (SDGs).

It is a different area of study why the CSR spent by Corporate India is below expectation. The reasons are many, but the anomaly mainly centres around delay in structural reorientation of the companies with regards to the response to the new statute.

Nevertheless, what is evident from here is that, from the above Table 2, one can find out the exact amount of INR that has been spent on each of the interventions of Schedule VII, that, in its case, identifies with the Sustainable Development Goals, as has been outlined in Table 1 in the very first year that the SDG commitments became active!

7 Conclusion

This is one of the first researches that documents such a unique relationship between India's CSR mandate and that of the UN's Sustainable Development Goals. Not only does 15 out of the 17 SDGs already covered in the Schedule VII of the Companies Act, 2013 as priority areas of CSR intervention by certain Indian companies; but also, the 8-column reporting format under the Act quantifies the specific amount spent on the macro SDG year on year.

This has enormous practical and social impact as with stringent laws and its implementation, the figures are rising year on year and so is India's cumulative contribution in meeting the SDGs. Moreover, "India's growth rate in 2018 is projected to hit 7.3 and 7.5 % in the next two years, according to the World Bank, which said the country has "enormous growth potential" compared to other emerging economies with the implementation of comprehensive reforms" (Economic Times 2018). This is indeed a very hopeful projection as with every little bit of contribution from anywhere will only make this world a better place for generations to survive and perpetuate.

However, like all investigations, this chapter is also not without its limitations. This research does not assess India's contribution to the 169 individual targets of the SDGs, nor does it analyse the individual involvements of the rest of the 193 member states. This can be the scope for future explorations. Indeed, India's individual contribution can pave the way for a more holistic study in the future.

Appendix 1: Schedule VII in the Companies Act, 2013

(i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of Sanitation and making available safe drinking water;
(ii) Promoting education, including special education and employment enhancing vocational skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects;
(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to the Clean Ganga Fund set-up by the Central Government for the rejuvenation of river Ganga;
(v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
(vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
(vii) Training to promote rural sports, nationally recognised sports, para Olympic sports and Olympic sports;
(viii) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
(ix) Rural development projects;
(x) Slum development.

Appendix 2: Section 135 of the Companies Act, 2013

(1) Every company having a net worth of INR 5 billion or more, or a turnover of INR 10 billion or more, or a net profit of INR 50 million or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director;
(2) The Board's report shall disclose the composition of the CSR Committee.
(3) The Corporate Social Responsibility Committee shall:

- formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII
- recommend the amount of expenditure to be incurred on these CSR activities
- monitor the CSR policy of the Company from time to time.

(4) The Board of these Companies that shall:

(a) After taking in account the recommendations made by the CSR Committee, approve the CSR policy for the Company and disclose the contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and
(b) Ensure that the activities are included in their CSR Policy and are actually undertaken by the company.

(5) The Board of these companies, shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the Company made during the three immediately preceding financial years, in pursuance of its CSR policy.

Moreover, the Section 135 also provides a direction to these Companies to give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

However, the law also states that if the company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.

Appendix 3: Format for the Annual Report on CSR Activities to be Included in the Board's Report

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects and programs.
2. The composition of the CSR Committee.
3. Average net profit of the company for last three financial years.
4. Prescribed CSR expenditure (two percent of the amount as in item 3 above).
5. Details of CSR spent during the financial year:

(a) Total amount to be spent for the financial year;
(b) Amount unspent, if any;
(c) Manner in which the amount spent during the financial year is detailed below:

1	2	3	4	5	6	7	8
S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where the projects or programs was undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent direct or through implementing agency[a]
1							
2							
3							
Total							

[a]Give details of the implementing agency

6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide reasons for not spending the amount in its Board report.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance of CSR objectives and Policy of the company.

This document needs to be signed by the:

(i) Chief Executive Officer or Managing Director or Director
(ii) Chairman CSR Committee
(iii) Person specified under clause (d) of sub-Section (1) of Section 380 of the Act; wherever applicable.

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Dr. Nayan Mitra comes with a rich mix of diverse professional experience, in which she straddles seamlessly between academics, social and corporate sectors. As a Developmental Consultant and Researcher, she works closely with some of the eminent Corporations and not-for profits of India as well as being in their Advisory and Board level capacity. She has conducted several social researches for multi-lateral agencies; the findings of which have become important bases for sustainable action. She has been a resource person in eminent Institutions of higher learning in the areas of CSR and Corporate Governance and has important double blind peer reviewed research publications to her credit in national and international Academic journals and books as well as delivered at key Conferences. Her book, 'Corporate Social Responsibility in India: Cases and Development after the Legal Mandate' along with co-editor Dr. Rene Schmidpeter is a first book of its kind that charters the development of mandated Indian CSR from a multi-stakeholder perspective. She is the recipient of the coveted India CSR Author Award two years in a row in 2017 and 2018 and many International recognition for her work. She spearheads the India CSR Leadership Series. She was a finalist of the prestigious Chevening Gurukul Scholarship for Leadership and Excellence—2013, as conferred by the Foreign and Commonwealth Office (FCO) of the British Deputy High Commission. In 2019, she received the award for one of the 25 most impactful CSR leaders in India.

Dr. Bhaskar Chatterjee is widely acclaimed as the Father of Corporate Social Responsibility (CSR) in India. He was instrumental in framing and issuing the CSR guidelines for Public Sector Enterprises (PSEs) in April, 2010. Thereafter, he played a major role in the inclusion of Section 135 in the Indian Companies Act of 2013 and in the framing of the rules thereafter. As the DG and CEO of the Indian Institute of Corporate Affairs (IICA) between 2011 and 2016, he spearheaded the National Foundation for Corporate Social Responsibility (NFCSR). He has spoken and lectured on the subject of CSR and Sustainability at a very large number of National and International fora over the last five years and is acknowledged as the primary force for bringing a new paradigm to the realm of CSR and providing it with an innovative and strategic vision.

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