

**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN ACHIEVING
THE CORPORATE OBJECTIVES:
A CASE STUDY OF SONGAS**

BY

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Law) of Mzumbe University.**

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled “**The role of corporate social responsibility in achieving the corporate objectives: A case study of Songas**” in partial fulfillment of the requirements for the award of the degree of Master of Laws of Mzumbe University

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DEDICATION

This research report is sincerely dedicated to my beloved family, especially my father Prof. A.D. Kiwara and Mother Mrs. Rose A.D Kiwara. Equally, to my sisters, Ms. Victoria Kiwara, Ms. Magreth Kiwara, Ms. Harieth Kiwara and my brother Mr. Innocent Ingore Kiwara who inspired me to become a Lawyer. I all value their moral, love, care and support given to me throughout the study.

LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| ABG | African Barrick Gold |
| ATE | Association of Tanzania Employers |
| AIDS | Acquired Immunity Deficiency Syndrome |
| AMREF | African Medical Research Foundation |
| CA | Companies Act |
| CAP | Chapter |
| CDP | Community Development Project |
| CEO | Chief Executive Officer |
| CRDB | Commercial Rural Development Bank |
| CSB | Corporate Social Performance |
| CSR | Corporate Social Responsibility |
| CTI | Confederation of Tanzania Industries |
| EABC | East African Business Council |
| EITI | Extractive Industries Transparency Initiative |
| EMP | Environmental Management Plan |
| EIA | Environment Impact Assessment |
| FGD | Focused Group Discussion |
| GATT | General Agreement on Trade and Tarriff |
| GATS | General Agreement on Trade in Services |

| | |
|--------|--|
| HIV | Human Immunodeficiency Virus |
| IDA | International Development Association |
| ITO | International Trade Organization |
| ILO | International Labor Organization |
| MEWATA | Medical Women Association of Tanzania |
| MNC | Multi-National Companies |
| NEMC | National Environmental Management Council |
| NGOs | Non-Governmental Organizations |
| OECD | Organization for Economic Cooperation and Development |
| Rev.Ed | Revised Edition |
| SIDO | Small Industries Development Organization |
| SRB | Sustainable Responsible Business |
| TCE | Transaction Cost Theory |
| TFCG | Tanzania Forests Conservation Group |
| TIC | Tanzania Investment Centre |
| TNBC | Tanzania National Business Council |
| TPDC | Tanzania Petroleum Development Company |
| UDHR | Universal Declaration of Human Rights |
| UNCED | United Nations Conference on the Environment and Development |
| VICOBA | Village Community Banks |

ABSTRACT

Corporate Social Responsibility (CSR) is essential towards the success of corporations. Its essence is in making corporations part of the community in assisting its development through establishing projects, as a way of sharing part of their success to the marginalized communities. At the same time, it assists the corporation in achieving the objectives it was set for by involving the stakeholders. In Tanzania, the practice of CSR is still largely voluntary despite having legislations such as The Extractive Industries Act of 2015, The Mining Act of 2010, The Petroleum Act of 2015 and The Environmental Management Act of 2004 that have provisions that require companies to have CSR. The provisions of the former Acts are not binding to companies that are of other nature of business other than what has been provided in the Acts save for the later Act that cuts across almost all nature of companies. This creates uncertainty on its regulation and hence underscoring the role of CSR towards achieving the corporate objectives.

This study was centered on knowing the role of CSR and how it helps the company meet its objectives guided by the research question as to what is the role of corporate social responsibility. The research was conducted in Dar-es-salaam and Lindi regions in which a case study design was adopted. A sample of 15 respondents was involved in the study. The sample was obtained through purposive sampling. Data was collected using interviews, questionnaires, focus group discussion and documentary review and was analyzed using qualitative analysis and simple arithmetic in order to arrive into conclusions.

The research has found that there is a serious loophole in the legal framework that was expected to address CSR. The study recommends to the Government and policy makers to have a comprehensive CSR law that will bind corporations to practice CSR in assuring that they meet their objectives and bring about sustainable development hence reduce the government's burden. The companies are also advised to practice CSR in assuring they meet their objectives and maximize shareholders income.

TABLE OF CONTENTS

| | |
|---|----------|
| CERTIFICATION | i |
| ACKNOWLEDGEMENTS | iii |
| DEDICATION | iv |
| LIST OF ABBREVIATIONS AND ACRONYMS..... | v |
| ABSTRACT | vii |
| TABLE OF CONTENTS | viii |
| LIST OF TABLES | xii |
| LIST OF FIGURES | xiii |
| TABLE OF STATUTES..... | xiv |
| CHAPTER ONE | 1 |
| 1.0 Introduction | 1 |
| 1.1 Background to the problem..... | 4 |
| 1.2 Statement of the problem | 6 |
| 1.3 Objectives of the Research..... | 9 |
| 1.4 Research Questions. | 9 |
| 1.5 Significance of the research | 10 |
| 1.6 Literature review | 10 |
| 1.6.1 Theoretical literature review | 10 |
| 1.7 Scope..... | 15 |
| 1.7.1 Limitations | 15 |
| 1.7.2 Delimitations | 16 |
| 1.8 Research methodology | 17 |
| 1.8.1 Research Design..... | 17 |
| 1.8.2 Area of Study | 17 |
| 1.8.3 Sampling technique | 17 |
| 1.8.3.1 Sample size..... | 18 |
| 1.9 Data collection method | 18 |
| 1.9.1 Documentary research..... | 18 |

| | |
|---|-----------|
| 1.9.2 Questionnaires..... | 19 |
| 1.9.3 Focused Group Discussion..... | 19 |
| 1.9.4 Interviews..... | 19 |
| 1.10 Data Analysis | 19 |
| 1.11 Chapterization | 20 |
| CHAPTER TWO | 22 |
| CONCEPTUAL FRAMEWORK ON CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE OBJECTIVES | 22 |
| 2.0 Introduction..... | 22 |
| 2.1 The meaning of CSR..... | 22 |
| 2.2 The meaning of corporate objectives | 24 |
| 2.3 The relationship between CSR and Corporate Objectives..... | 27 |
| 2.4 Employing CSR into the business practice | 28 |
| 2.5 Positive impacts of implementing CSR in corporations | 32 |
| 2.6 The practice of CSR in Tanzania | 35 |
| 2.7 Conclusion | 36 |
| CHAPTER THREE | 37 |
| LEGAL AND INSTITUTIONAL FRAMEWORK ON CORPORATE SOCIAL RESPONSIBILITY IN TANZANIA | 37 |
| 3.0 Introduction..... | 37 |
| 3.1 Legal Framework | 37 |
| 3.1.1 General Laws that address CSR in Tanzania | 38 |
| 3.1.2 Specific Laws that address CSR in Tanzania..... | 40 |
| 3.2 Institutional Framework..... | 43 |
| 3.3 Weakness of Lawsons addressing CSR and how it resulted to malpractices. | 49 |
| 3.4 Conclusion | 54 |

| | |
|--|-----------|
| CHAPTER FOUR..... | 55 |
| THE RELATIONSHIP BETWEEN SONGAS CORPORATE OBJECTIVES AND CSR IN PRACTICE | 55 |
| 4.0 Introduction | 55 |
| 4.1 Songas Corporate Social Responsibility Policy | 55 |
| 4.1.1 Basis of Community Development Projects. | 56 |
| 4.2 Analysis of Community Development Projects | 56 |
| 4.2.1 Education..... | 56 |
| 4.2.2 Health | 61 |
| 4.2.3 Environment..... | 63 |
| 4.2.4 Livelihood Promotion. | 64 |
| 4.3. Graphical Descriptions of Community Spending in Dar esSalaam and Kilwa | 65 |
| 4.4 Employment. | 66 |
| 4.5 The relationship between corporate objectives and CSR..... | 68 |
| 4.6 Conclusion | 68 |
| CHAPTER FIVE..... | 70 |
| DATA PRESENTATION AND ANALYSIS OF FINDINGS | 70 |
| CHALLENGES FACED DURING IMPLEMENTATION OF CSR: ANALYSIS OF OPPORTUNITIES AND RESPONSE FROM STAKEHOLDERS | 70 |
| 5.0 Introduction | 70 |
| 5.1 Challenges that are faced by the company in the implementation of CSR..... | 71 |
| 5.1.1 Management of Funds..... | 71 |
| 5.1.2 Construction works | 71 |
| 5.1.4 District Contribution | 72 |
| 5.1.5 Parents' support..... | 72 |
| 5.1.6 Financial borrowing institutions | 72 |
| 5.2 Measures taken to overcome the challenges | 72 |
| 5.2.1 Educational training to the small scale borrowers. | 73 |
| 5.2.2 On the management of funding projects. | 73 |

| | |
|--|-----------|
| 5.3 Possibility of Missed Opportunities if there was no CSR in the Company. | 73 |
| 5.3.1 Employment of Locals | 73 |
| 5.3.2 Education improvement | 73 |
| 5.3.3 Environmental Improvement. | 74 |
| 5.3.4 Health Service Improvement | 74 |
| 5.3.5 Poverty reduction | 75 |
| 5.4 Responses to the questionnaires and the stakeholders | 75 |
| 5.5 conclusion | 80 |
| CHAPTER SIX | 81 |
| CONCLUSION AND RECOMMENDATIONS | 81 |
| 6.0 Conclusions | 81 |
| 6.1 Recommendations | 82 |
| 6.1.1 To the Government of Tanzania | 82 |
| 6.1.2 To interested Companies | 83 |
| 6.1.3 To Law making organ | 84 |
| REFERENCES..... | 85 |
| ANNEXTURE A.1: Songas CSR Policy | 89 |
| ANNEXTURE A.2 Graphical Description of Community Development Spending | 90 |
| ANNEXTURE A.3: Songas Project Agreement..... | 91 |
| ANNEXTURE B..... | 95 |
| ANNEXTURE D | 98 |
| ANNEXTURE E..... | 101 |

LIST OF TABLES

| | |
|---|----|
| Table 4.1: Number of Songas Employees (Local & Expats) | 67 |
| Table 4.2: Pan African Employees working in Songas Gas processing Plant | 67 |
| Table 4.3: Number of Songas Employees (Local expats)..... | 67 |

LIST OF FIGURES

| | |
|--|----|
| Figure 4.1 constructed school and science laboratory | 58 |
| Figure 4.2 Songas donation and hospital renovation | 60 |
| Figure 4.3 Teachers houses constructed by Songas | 61 |
| Figure 4.4 orphanage centre donations by Songas | 65 |

TABLE OF STATUTES

Foreign Laws

1. The South African Constitution, No 108 of 1996 (Rev. Ed.2012)
2. The South African Black Economic Empowerment Act, No. 53 of 2003
3. Indian Companies Act, No.18 of 2013

International Instruments

1. General Agreement on Tariffs and Trade (GATT)
2. General Agreement on Trade in Services (GATS)

International Guideline

1. Organization for Economic Cooperation and Development (OECD)

Municipal/Local Statutes

1. The Constitution of The United Republic of Tanzania of 1977 (Cap 2 Rev. Ed. 2008 of The Laws of Tanzania)
2. The Tanzania Investment Act, No. 26 of 1997
3. The Village Land Act No. 5 of 1999
4. The Environmental Management Act, No. 20 of 2004
5. The Mining Act, No 14 of 2010 and its Regulations
6. The Companies Act, No 12 of 2002 (Cap 212 revised Edition of the laws of Tanzania)
7. The Petroleum Act, No 8 of 2015.
8. The Extractive Industries Act, No 23 of 2015

CHAPTER ONE

1.0 Introduction

CSR involves the contribution of the businesses to the society with the aim of promoting sustainable development economically through working together with the neighboring stakeholders such as the workers, their families and the local community with the aim of improving their lives.¹

Corporate Social Responsibility (CSR) over the decades is becoming a more important activity domestically, regionally and internationally. As globalization continues and large corporations seize the opportunity to and decide to serve as global providers, these corporations have learned and recognized the benefits of providing CSR programs in their localities and in their different investment areas. Currently, numbers of activities that amount to CSR are now being undertaken throughout the globe.²

However, CSR is a broader concept that has been defined differently by many scholars and writers. In other words, CSR does not have a single definition as it is a multi-dimensional concept that originates from how corporations are governed and the principles it adheres to in regulating its internal affairs that is also referred to as Self-Regulation.³

There are various interpretations to the notion of CSR. The interpretation includes the relationship of business and society at different historical times. As argued, the most dominating view concerning the responsibility of a business to the society is drawn from

¹Vergalli, (2009, August) **Does Corporate Social Responsibility Affect the Performance of Firms?** (August, 2009). FEEM Working Paper No. 52.2009.

²Mvungi M.(2012); Corporate Social Responsibility of Companies Operating in Geita District: A need for specific Legal Framework; LL.M Thesis; Mzumbe University, unpublished. Page 3

³Bitcha, C.(2003). Corporate Social Responsibility, **A Role in Government Policy and Regulation;** Discussion Paper, Centre for Regulated Industries.(January 2016) world wide web.www.bath.ac.uk.

the similar economic position that sees the promotion and serving of the interests of the firm's shareholders as being the main responsibility of business. Whilst the belief incorporate social responsibility has been around for years, in the context of this research report, it is important to express the current meaning of CSR.⁴

Historically speaking, the idea of CSR has been interpreted to include corporate charity. A number of known and well established British and American entrepreneurs realized the need for getting involved with the community and contribute to its wellbeing by building schools and hospitals and making donations.⁵

From mid 1990s, the idea of CSR has largely been associated with the terms of 'corporate citizenship', 'corporate sustainability' and 'triple bottom line'. The term corporate citizenship has often been used to describe a firm's engagement with stakeholders rather than shareholders alone. Corporate sustainability refers to corporate behavior that is likely to affect sustainable development i.e. company activity that creates opportunities for sustainable development. Triple bottom line usually refers to the balance and equal promotion of the economic, social and environmental interests of a business. These current existing interpretations of CSR, however, are linked to the idea of self-interest and support the 'business case' for corporate social responsibility as argued next.⁶

The current definition of CSR - that assumes the engagement of a firm with stakeholders rather than shareholders alone is derived from the stakeholder model of a firm, which was developed in the United States in the mid-1980s. Philosophically, however, the stakeholder model of the firm and the current 'business case' for CSR is different. This is largely due to the fact that the stakeholder firm model is rooted in the assumption that

⁴Bitcha, C. (2003). **Corporate Social Responsibility, A Role in Government Policy and Regulation; Discussion Paper, Centre for Regulated Industries.** .(January 2016) world wide web.www.bath.ac.uk

⁵ Ibid at Pg 4

⁶ Ibid

the firm has to engage stakeholders in the decision-making of the firm as they are the ones likely to be affected by the daily firm activities, whereas the ‘business case’ for CSR is rooted in the belief that shareholders will increase their interests financially through and by engaging in a dialogue with other stakeholders of the firm.⁷

To summarize, in its conventional form, corporate social responsibility is seen as profitability plus compliance plus philanthropy. The current meaning of corporate responsibility is associated with the ‘recognition that day to day operating practices affect stakeholders and that is on those impacts where responsibility lies, not merely in efforts to do well’.⁸

On the other hand, Corporate Objectives are defined as realistic goals that serve as a guideline to effective strategic company performance that is mostly an internal policy. Most corporate objectives serve the function of providing a time frame and they are the means by which the companies’ performance and success will be assessed upon.⁹

Corporate objectives’ determinant has been debated for many years and in different localities. Generally, a corporation is made up of a group of people (members), formed by the shareholders, as well as other stakeholders like employees, suppliers and customers who are part of the company success as they have their contributions to the existence of the company.¹⁰

However, it is undoubtedly “ambiguous and uncertain” as mentioned by Professor Paul Davies, when providing clarity on whose interests ought the company to be run as it is difficult to determine which groups’ interests should override the others and is of utmost

⁷ Bitcha, C (2003). **Corporate Social Responsibility, A Role in Government Policy and Regulation; Discussion Paper, Centre for Regulated Industries.** .(January 2016) world wide web.www.bath.ac.uk

⁸ Ibid at Page 6

⁹ Definition retrieved from <http://www.businessdictionary.com/html>

¹⁰ Retrieved from [www.lawteacher.com .html](http://www.lawteacher.com/html)

importance to a company. In addition, there have been two schools of thought that have been put forward as far as corporate objectives are concerned.¹¹

They are the shareholder value principle, which argues that, the company's objective is to maximize the shareholder's interests; while the other one is the stakeholder theory, which provides that the company should serve not only for the betterment of the shareholders, but also the interests of different stakeholders such as employees, customers and creditors.¹²

1.1 Background to the problem

A number of Multinational Corporations (MNCs) and large locally registered companies, supported by small industry and business associations have been adopting a variety of the so called Corporate Social Responsibility initiatives. These include, for example, codes of conduct measures to improve environmental management systems and occupational health, safety, company triple bottom line reporting on financial, social, and environmental aspects, participation in certification and labeling schemes, dialogue with stakeholders and partnerships with Non-Governmental Organizations and United Nations agencies, and increased support for community development projects and programs.¹³

The Corporate Social Responsibility has seen big shift from being an obligation to becoming a strategy to company's development. Prior to 1990s, the engagement in CSR seemed to be implemented as a result of pressures for "doing good to look good". Today we can observe a shift towards a strategic approach, which is described as "doing well and doing well".¹⁴

¹¹ Ibid

¹² Retrieved from www.lawteacher.com

¹³ Peter, U. (2005). **Corporate Responsibility and the Movement of Business, Development in Practice**, Vol.15 at page 375.

¹⁴ Philip K, and Nancy L,(2005). **Corporate Social Responsibility: Doing Good for Your Company and Your Cause**, New York, Oxford University Press. at page 9.

The demand for companies that invest in Corporate Social Responsibility has increased in recent years from customers, employees, suppliers, community groups, government as well as some shareholders.¹⁵ In Tanzania, in the post socialism era and after the introduction of the market economy in the 1990s, private sectors were allowed to engage fully in business activities. As a result, it brought a huge increase in competition among firms producing and selling products with the similar use. Such a pattern forced firms to design different marketing strategies aimed at penetrating different market segments, and increase their production, sales as well as profits through corporate social responsibility.¹⁶

TPDC is a fully Government-owned Parastatal organization under the Ministry of Energy and Minerals. It was established under the Public Corporations Act ¹⁷(repealed and replaced by the Public Corporations Act¹⁸), through Government notice¹⁹. The Corporation started its operations in 1973.²⁰ It is this corporation that oversees the Songo Songo Gas Development Project on behalf of the government.

However, TPDC has contracted with Globelec, a private multinational company to extract gas from the Songo Songo to Dar es Salaam whereby the product will be used for industrial purposes, electricity production, and domestic use and in many other uses through Songas as its subsidiary company which is handling the project.

Songas being one of the subsidiary companies to a Multi-National Company, Globelec, and an investor in Tanzania's Natural Gas is picked by the researcher as an evidence of one of the corporations seen to be doing a lot in terms of implementation of Corporate Social Responsibility. This ranges from building schools, hospitals, access to clean water and the like to mention but a few out of their CSR policy in the neighboring

¹⁵Mvungi, M. (2012) **Corporate Social Responsibility of Companies Operating in Geita District: A need for Specific Legal Framework**; LL.M Thesis, Mzumbe University, unpublished.

¹⁶Mgema ,M. (2007). **The Impact of Corporate Social Responsibility on Organization Performance:** the Case of Vodacom Limited, Tanzania Breweries Limited and Barrick Gold Mining Company.

¹⁷ Act No 17 of 1969

¹⁸ Cap 257 R.E 2002

¹⁹ Notice No 140 of 30th May, 1969.

²⁰ Retrieved from www.tpsc.com

community; and in so doing, it has had a good reputation among stakeholders and it has been able to be one of the companies that is cited as how the government is committed to improve the livelihood of its people.

Neighboring communities refers to communities/villages along the Songo Songo gas pipeline route - from Songo Songo Island to Dar es Salaam. The pipeline is passing through 6 districts - Kinondoni, Temeke, Ilala, Mkuranga, Rufiji and Kilwa (with a total of 51 villages)

This calls for more research guided by the question as to how far has the company under the study managed to keep/adopt this trend.

1.2 Statement of the problem

Many Companies both domestic and multinational investing in Tanzania apply CSR in the course of their investment. It is unlucky that the country's legal regime that is in place to govern corporations does not make it a mandatory for companies to implement CSR in their business operations.²¹ The implementation of CSR in Tanzania is on a voluntary basis, which is also referred to as Self-Regulation. It is in most cases very difficult to trace how it is implemented in the neighboring communities since it is a corporate internal affair.

Since corporations are mainly set up to get profit and not primarily to benefit the neighboring communities through having a sound CSR policy, the study has shown that

²¹ The Constitution of The United Republic of Tanzania 1977 as amended from time to time; Article 24 (2) guarantees fair and equitable compensation upon his/her property in which he/she owns in accordance with the law,

The Tanzania Investment Act, 1997, requires investors have responsibility to apply high standard in the design and execution of their projects,

The Village Land Act No.7 of 1999 requires that no transfer should be made until the villagers are compensated due to eviction in the due course of investment,

The Mining Act 1998 (Tanzania) and the Mining (Environmental Management and Protection) Regulations 1999 (Tanzania) which have been issued pursuant to the Mining Act 2010 and its Six Regulations are designed to control the environmental impact of mining in Tanzania.

Multinational Corporations that do implement CSR are having a good business environment and they manage to build a good reputation to both the stakeholders and the government.²²

CSR as a concept has not taken roots in Tanzania, but as corporate practice in the country it is a common phenomenon. Successful CSR calls for both the right understanding of the concept and consequently, the right practice. Sometimes it also calls for government coordination and support to make the activities timely and tangible.²³

When this role is missing, corporations can use the vacuum to fill in activities that have little or no use to the general public; yet it gains a name for the corporation. The important role of the state in coordinating and supporting CSR is missing in Tanzania, and this brings about misconception, misuse and malpractice of what could have been an important and useful concept.²⁴

Had the implementation been made mandatory such as it is in South Africa²⁵ and India²⁶, then the expectation of investors and creditors to the company would have been that the set company would have been in a better position to achieve the objectives for which it was set up.

Although Tanzania passed an Act recently, The Petroleum Act of 2015 and The Tanzanian Extractive Industries Act (Transparency and Accountability) Act of 2015, still the abidingness of the provisions²⁷ is to companies investing in the natural gas sector. This leaves other companies which aren't investing in the said field to have CSR

²²Mgema, M. (2007). **The Impact of Corporate Social Responsibility on Organization Performance: the Case of Vodacom Limited, Tanzania Breweries Limited and Barrick Gold Mining Company.**

²³Mbirigenda, S. (2015). **Corporate Social Responsibility in Tanzania: Experience of Misconception, Misuse and Malpractices**, world wide web www.researchgate.com at page 100.

²⁴Mbirigenda, S. (2015). Op cit at page 100

²⁵Article 108 of the South African Constitution, 1996 and Section 53 of Black Economic Empowerment Act, 2003

²⁶Section 135 of the Indian Companies Act, 2013

²⁷Section 223 of The Petroleum Act 2015 and Section 15 of The Tanzanian Extractive Industries (Transparency and Accountability) Act of 2015.

voluntarily, something that brings about the legal challenge on its regulation as the legal system that was supposed to regulate and make companies comply with CSR such as it has been the practice in other countries, is not addressing CSR as it should. This also makes its regulation questionable in the terms of achievement of the company's objectives.

The company (Songas) had seen the marginalization of the communities around the project and it had a strategy of implementing CSR such as the provision of solar home systems to around 25 villages, grid extension to around five villages, and gas-based electricity access to 5 townships (Kilwa Masoko, Utete, Ikwiriri, Kibiti and Bungo) along the pipeline route and to the inhabitants of the Songo Songo Island. In addition the Songo Songo Island population and many villages along the pipeline route will receive a clean water supply.²⁸ The company has been implementing CSR in line with their corporate objectives which yielded them positive results.

This raises more questions as to the role of CSR in achieving the corporate objectives as the two have been discussed to bring about the expected results and which is the heart of this research.

²⁸ Report No. 21316-TA (2001); Project appraisal document on a proposed Credit in the amount Of Sdr 145.7 Million (Us\$183 Million Equivalent) to The United Republic of Tanzania for A Songo Songo gas development and power generation project, The World Bank.

1.3 Objectives of the Research

Main Objectives

The main objective of this research was to examine how a corporation can achieve the objectives of which it was set for when it exercises CSR. In order to reach this objective, the research was guided by the following specific objectives.

Specific Objectives

1. To examine the role of CSR in assisting the companies meet its set up objectives.
2. To identify the challenges that are faced by Songas during the implementation of CSR such as balancing between the shareholder's interests against the use of corporate funds for CSR.
3. To examine missed opportunities by companies/ Local population for not having a mandatory CSR code.
4. To identify the impacts of Non-exercise of CSR and the impacts of not adhering to CSR.

1.4 Research Questions.

1. How does the CSR assist the companies to meet its set up objectives?
2. How does Songas engage in CSR and what are the challenges faced by the said company in the implementation of CSR?
3. What are the missed opportunities by companies/ Local population as a result of not having a mandatory CSR code?
4. What are the impacts of not adhering to CSR and what are the effects of not exercising CSR

1.5 Significance of the research

- i. The findings generated from this research are expected to be used by corporations that do not have a clear CSR policy, by the corporations which are having difficulty in meeting their objectives due to lack of CSR
 - This study is useful as well as a source of information for corporations to know how they can go about when they are faced with challenges in the process of developing and implementing CSR
 - The research also contributes to the knowledge by adding information and awareness of CSR generally to those who are not aware of it and to help future researchers have access to the existing literatures on Corporate Social Responsibility.
- ii. The findings are useful to the bodies that regulate the corporate business, parliamentarians, policy makers and Lawyers in advocating for a better corporate regime that will be working in line with stakeholders interests and shareholders' interests

1.6 Literature review

1.6.1 Theoretical literature review

While the current wave of interest in corporate social responsibility (CSR) dates from the early 1990's, it is only a new manifestation of longstanding debate over the relationship between business and society.²⁹

This was due to the existence of the many theories on how a corporation should be governed. There are those who advocated for the Agency Theory whereby the key aspects include formal systems of control, budget controls and limitations, audits, and incentive systems aligning the interests of managers with those of principals.³⁰ There are

²⁹ Jenkins, R. (2005). **Globalization, Corporate Social Responsibility and Poverty**, New York Warner books p526

³⁰ Hough, A(2005). **Theorizing about board governance of nonprofit organizations: Surveying the**

those who advocated for Transaction Cost Theory (TCE) whereby in a summary, TCE contends that the purpose of economic organization, including governance structures, ‘is to economize on the costs of transacting over time’, including minimizing the impact of informational asymmetries where parties have made firm-specific investments.³¹ Stewardship theory advocates that the theory has been classified under the discipline of management, although its proponents argue its roots are in sociology and psychology. It might equally be regarded as a special case within the broader conception of agency theory, the case where managers are motivated to act in the best interests of their principals.³²

Whereas the positivist agency theory assumes opportunistic managers, stewardship theory makes the reverse assumption, i.e. managers are intrinsically motivated to be good stewards of the interests of the owners. Consistent with the prediction of Hansmann, there is evidence that workers and managers in the nonprofit sector have higher levels of intrinsic motivation than their for-profit colleagues.³³ Stakeholder theory was developed in the context of business. Therefore, it can be viewed as a management theory. Like team production theorists, stakeholder theorists reject the assumption of shareholder primacy and argue for a wider view of board responsibility.³⁴

Unlike team production theorists, they see board responsibility as extending to all stakeholders, not just members of the production team.³⁵ Proponents of stakeholder theory argue that the purpose of a firm is to coordinate stakeholder interests. Stakeholders can be identified on the basis of who is affected by or can affect the

landscape. In: 34th Annual Conference of the Association for Research on Nonprofit Organizations and Voluntary Action, November 2005, Washington DC. (Unpublished)Pg 11

³¹ Hough, Alan ar: Op cit at Pg 14

³² Ibid

³³ Ibid atPg 19

³⁴ Ibid at Pg 20

³⁵ Ibid

organization's purpose or on the basis of the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or inactions.³⁶

The theories serve the purpose of seeing the corporations growing and making profit, but the challenge is how they support the corporation to meet its objectives through the implementation of CSR.

Sara L. and Olatunde Julius O.³⁷ in their work writes about the silence that exists in Corporate Social Responsibility Reporting of companies operating in Geita District and a need of enacting a specific legal framework that will govern Corporate Social responsibility.

Authors explain in the paper that the silence that exists is due to the weakness in the regulatory framework and lack of NGOs activism.

However, the authors had not addressed on how the corporations would achieve its objectives assisted by the company's implementing CSR. In my research, I worked to fill the gap left by the writers.

Mwajabu M.³⁸ in her dissertation examined Corporate Social Responsibility of Companies Operating in Geita District and she addressed/suggested the need to have a specific legal framework that will govern corporations in implementing CSR in line with the proposed law. However, she did not address the issue of how the corporations would meet its objectives when it implements CSR as one of the ways of adhering to good corporate governance. In this research, I worked to cover the lacuna left by the researcher.

³⁶ Hough, *et al*: Op cit at Pg 21

³⁷ Sara, L and Julious, O (2010). 'Corporate Social Responsibility Reporting in a Developing Country Context: Rethinking the Role of Government Regulatory Controls and NGOs Activism in the Mining Sector of Tanzania'(January 2016) world wide web carbsdrupal hosting.cf.ac.uk.

³⁸ Mvungi, M . (2012). **Corporate Social Responsibility of Companies Operating in Geita District: A need for Specific Legal Framework**; LL.M Thesis, Mzumbe University, unpublished.

Laura P. and Vergalli S.³⁹ argue in their paper that due to the response in the interrelationship between corporate strategic aims and respect for all key players that are involved in a company, at a theoretical level the stakeholder theory seems to be useful to measure the social responsibility of a firm by means of social accountability. The novelty is in the push of firms to ‘find business and resource opportunities that they would otherwise not know about with respect to all the players involved directly or indirectly with a company’s activity. This theory underlines the fact that relations are fundamental to the existence of a firm and therefore should be looked at in more detail as they could open up new opportunities for a firm. The subjects that create this network include principally the community where the firm is situated, workers and customers. They have shown how a corporation opens itself to new opportunities with an aid of CSR.

Horrigan B.⁴⁰ argues that Companies must at least develop and articulate a comprehensible normative account of their company commitment to CSR. At the very least, they must do so for the purposes of engaging in dialogue with investors and other stakeholders about CSR issues, establishing CSR credibility with stakeholders and industry peers, participating in public debate about corporate irresponsibility, entering the governmental arena to lobby and otherwise exert influence upon CSR public policy development.⁴¹ He goes further to say that in practice, companies that commit to CSR should undertake preliminary internal due diligence before going public on CSR. At the bare minimum, they should conduct an organizational CSR health-check against suitable external CSR standards, not least to avoid reputational damage and potential liability from premature or otherwise ill-conceived CSR claims. This also has the advantage of helping companies to make advance preparation for the kind of external CSR scrutiny to which they might be subject, for example, as participants in published CSR rankings or

³⁹Vergalli, *et al*, **Does Corporate Social Responsibility Affect the Performance of Firms?** (August , 2009). FEEM Working Paper No 52.

⁴⁰Horrigan, B .(2010).**Corporate Social Responsibility in the 21st Century: Debates, Models and Practices Across Government, Law and Business**; Edward Elgar Publishing, 2010; Sdney

⁴¹ Ibid at Pg 269.

screened members of someone else's business services chain.⁴² The writer, despite having argued so deeply on issues of CSR, he writes in a cautious way to the companies and does not mention the role of CSR in helping the company meet its desired objectives. In this research, the researcher works to fill the gap left by the writer and look at how companies have succeeded as a result of having a sound CSR policy.

Kaduma I. B⁴³ in his research points out that, a corporation should be transparent and should have a CSR policy to boost investment and trade development. The researcher mentions nowhere as on how CSR helped a corporation meet its desired objective. He addressed them in a way that it will improve investment as the corporate papers will show that the company adheres to Corporate Transparency and CSR requirement. In this research, the researcher worked to fill the gap left by the previous researcher and stress the role of CSR in helping the Corporate meet its desired objective.

Materu T.V⁴⁴ in his research points out, that Corporate in Tanzania have been trying to engage themselves in communities by supporting the needy and underprivileged sectors in the country in aspects like education, health, sports, gender and the environment. The main aim being to increase the standard of living, some efforts have been seen in recent campaigns, such as the case for breast cancer screening advocated by MEWATA that finally gained much support from different financial institutions like Diamond Trust Bank, NBC and Standard Charter Bank.

Companies like Azam SSB, IPP Media group and Vodacom Tanzania have been largely assisting the society by providing them with money and necessary tools needed by the affected society. The author went further to explain that while a number of firms in Tanzania have been socially responsible to the societies surrounding them, lots more

⁴² Horrigan, B. (2010). **Corporate Social Responsibility in the 21st Century**; Op Cit at Pp 270 – 271.

⁴³ Kaduma, I. B. (2011). **The Law and Practice of Corporate Transparency and Corporate Social Responsibility as a feature of Investment and Trade development in Tanzania**, A case study of Mining Firms in Tanzania: LL.M Thesis, Mzumbe University, unpublished.

⁴⁴ Materu, T. B. (2013). **People's perception of Corporate Social Responsibility in Sugar Estate**: A case of Tanganyika Planting Company; M.A Dissertation, University of Dar es Salaam, unpublished at Pp. 24-25.

have been socially responsible to the societies surrounding them, lots of more others have been intentionally and sometimes without knowing committing dreadful conducts to the environment.

The author points out that CSR improves the livelihood of the neighboring communities and that CSR is linked to sustainable development. The gap that emerged in his research is on how a corporation is likely to achieve its objectives aided by implementing CSR. In this research, the researcher worked to show the role of CSR in meeting the corporate objectives.

1.6 Scope

The scope of the research was to study the achievement of corporate objectives in companies investing in Tanzania through the role of CSR. Knowing that the study would be vast, a case study was picked through Songas, a company that has invested in the Gas Sector. The study focused on the implementation of CSR as a strategy towards meeting the corporate objectives.

1.6.1 Limitations

As the study is complex due to the involvement of the government through its ministries and parastatal like TPDC, the study was limited only to Songas which is an independent company carrying out the Songo Songo gas project. The research was conducted in the areas that Songas carries its CSR activities.

The researcher met a number of setbacks during execution of the study, especially in getting information from the Company (the study case) as the data required in this study included information that was treated by the company as their internal affair. On this basis, the researcher faced some delays in collecting the data and getting some of the company's internal documents.

Moreover, the researcher also faced a number a delays from the Songas Management⁴⁵ due to his tight schedule and frequent travels to the sites where the company carries CSR “Community Development Projects”.

The researcher also faced challenges in accessing the resolutions of the company on the use of the CSR as a strategy, The Credit Development Agreement and shareholders response in budgetary allocation

The company considers the document to be very confidential as it may clash with shareholders’ interests upon being put into anyone’s possession. It is against their ethics to give out confidential information

The researcher also was able to get the company’s Agreement on Investment that addresses CSR provisions as the company considers it to be a very confidential document and it has no relations of any connection with CSR policy and its implementation.

1.6.2 Delimitations

Due to a number of setbacks in conducting the research, the researcher had to produce a letter of introduction to the management to assure them that among other things, the research that was conducted in their company was entirely for Academic purposes.

Moreover, the researcher relied on Focused Group Discussion (FGD) whose time schedule had to be fixed in line with the schedule of the Management so as to get relevant data about the company. This was sought to compensate for or serve as a solution to the dependence on questionnaires which would have brought about insufficient data.

The researcher was able to get a copy of the CSR policy from the company during the FGD which enabled him to understand the CSR of the company. The policy came as the result of the investment agreement.

⁴⁵ Specifically, the Director of Corporate Social Responsibility of the Company

Moreover, after several requests to the Songas CSR Director, the researcher was able to get a copy of the agreement due to its importance in this research.

1.7 Research methodology

1.7.1 Research Design

The research employed a Case Study design, a fairly exhaustive approach with the aim of studying deeply and thoroughly on the role of CSR in helping the company meet its desired objectives. This design was employed to make easier an in-depth understanding of how a corporation achieved its objectives. In this Case, Songas was the case study. In this regard, the research was conducted at Songas head quarters located at Ubungo, Dar es Salaam.

1.7.2 Area of Study

The research was conducted at Songas headquarters located at Ubungo, Dar es Salaam and in Lindi, Songo songo Island where the company has been carrying out its CSR activities to neighboring communities and beneficiaries of the company's strategy such as Kilwa Masoko, Ikwiriri, Bungo and Utete. This enabled the researcher to get information from the communities as well as information from the officials on how they are to meet/met their objectives aided by the implementation of CSR.

1.7.3 Sampling technique

Since the research involved the area where Songas carries its CSR activities, it was not possible to gather information from all the neighboring communities along the 200 kilometer gas pipeline. It is for this reason that there was a Population of which relevant information was obtained.

Sampling technique that was used in this research was purposive sampling. This enabled the researcher to select Songas personnel such as the Director of Corporate Affairs, who is part of the management of the company for interviewing and discussing on how CSR has been of assistance to them in meeting the company's objectives. The technique

helped the researcher to select the beneficiaries of which in this category are the neighboring 4 villages, the 5 scholarship beneficiaries where a discussion was held with their academic masters of the respective schools so as to be able to get relevant information which helped to assess how likely the company is to meet its objective when it implements CSR.

1.7.3.1 Sample size

The target population in this case was the 4 District Executive Directors of the 4 mentioned villages that have benefited from the Songas project, a representative from Songas Company who was the Director of Corporate Affairs and the Company Secretary and 5 beneficiaries of Songas scholarships from the neighboring community schools. The study also targeted 5 Village Ward Councilors from the villages where Songas carries its CSR where data was collected from them on the negative impacts they have had since the Company started implementing CSR in their communities.

1.8 Data collection method

Since the research is qualitative in nature, data were collected through the following ways/methods

1.8.1 Documentary research

Documentary Research was employed in which data was collected through reviewing works, presentations, conference papers and reports on the field of investment law, corporate management, corporate social responsibility; and environmental and human rights law. They are what were included in the Literature review, in chapter two when the researcher discussed the conceptual framework and also in chapter three when the researcher discussed the legal framework.

However, Community Development Project Reports were researched to the extent of knowing the progress of CSR within the company. They assisted the researcher in writing chapter four and in chapter five when data analysis was done.

1.8.2 Questionnaires

The researcher had put forward the questionnaires to the Songas Director for Corporate Responsibility Affairs in the company's headquarters located at Ubungo, Dar es Salaam to obtain relevant information on the research and problems encountered during the implementation of their CSR. Relevant information was obtained from the directory as well as from the stakeholders (beneficiaries) of the company in which recommendations were made out of the questionnaires distributed to the stakeholders. The findings helped to add weight to the recommendations that may be useful to other companies that are struggling to meet their objectives due to the lack of a sound CSR policy.

1.8.3 Focused Group Discussion

The researcher also relied much on a Focused Group Discussion that helped him collect valuable information from Songas, the 4 District Executive Directors and the 4 villagers from these districts that were affected by the implementation of CSR. Due to the sensitivity of the matter and to avoid getting close ended questions from the Questionnaires that were put forward.

1.8.4 Interviews

The researcher also employed interviews to get relevant information when encountered a problem of clarity and relevance of information when in FGD the data obtained wasn't relevant to the information he expected.

1.9 Data Analysis

In order to fully analyze the data collected, the researcher used qualitative analysis where key findings were summarized and explanation given of the data collected so as to give a clear picture of how corporate objectives were achieved in the help of the implementation of CSR as their strategy. Simple arithmetic was also applied in arriving at conclusions.

1.10 Chapterization

The dissertation has Six Chapters in total. Chapter One covers the introduction, background to the study, a statement of the problem, research objectives, significance, literature review, methodology and analysis.

Chapter two covers the Conceptual Framework. This chapter describes in details the meaning of CSR, what are corporate objectives, the relationship between CSR and corporate objectives, putting corporate social responsibility into practice for business and its benefits which are being based on the research question of how a company is likely to meet the objectives for which it was set up when it is assisted by the implementation of CSR

Chapter Three covers Legal and Institutional Framework. This chapter addresses the legal and institutional framework that addresses CSR in Tanzania, it looked into the Acts of Parliament that aimed to address CSR to the Companies and how it is to be implemented. However, the chapter also looked at the institutions established by those Acts to make a follow up and regulate CSR compliance to companies.

Chapter Four covers Analysis of the practice of CSR by Songas. This chapter covers the whole range of CSR policy and how it is being practiced by Songas. It covers the number of projects that are established under the theme of Community Development Programs that are carried out in the neighboring communities and it showed how they have benefited from the projects. It is important to have a look at the policy and practice of CSR which is referred to as Community Development Projects as practiced by Songas as it laid a foundation to the Data Analysis and Findings which was the next Chapter.

Chapter Five covers Data Analysis and Findings. This chapter deals with the analysis and presentation of the collected data. The chapter answers research Questions Number 2 and 3 which sought to explore the challenges that are faced by the company in the implementation of CSR and in identifying as to whether there would have been missed opportunities by the company and the local population had there been no CSR

implementation. However, it had a look at the responses to the questionnaires that were given to District Executive Directors of the districts that are around the project and the beneficiaries of the school scholarships. The significance of the findings enabled the researcher to write the recommendations that may be adopted by companies that are struggling to meet their desired objectives. Chapter six covers the recommendations and conclusion to the research.

CHAPTER TWO

CONCEPTUAL FRAMEWORK ON CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE OBJECTIVES

“Companies that think of the environment as a community responsibility rather than a business duty are living in the past”⁴⁶

2.0 Introduction

This chapter describes in details the meaning of CSR, what are corporate objectives, the relationship between CSR and corporate objectives, putting CSR into practice for business and its benefits which are being based on the research question of how a company is likely to meet the objectives for which it was set up when it is assisted by the implementation of CSR. The chapter concludes that in the 21st century, corporations do need to have CSR as a way of solving governance issues as it gets feedback from the beneficiaries of its CSR program that is why other countries made it a mandatory as revenues, employment and profit to the investors are guaranteed.

2.1 The meaning of CSR

The common definition is from the words Allen Baker, a writer and a strategic advisor expert on corporate social responsibility, defines CSR as a way of self-regulation adopted by companies through which they are able to have a positive impact on the society.⁴⁷

In the view of Visser *et al*, the concept of CSR is synonymous to modern businesses, they argue that there is a belief that business have a certain responsibility towards he society they invest in that goes beyond their obligations of creating and maximizing profits for the shareholders or investors in the firm. This responsibility of business is

⁴⁶ Retrieved from www.blog.gaiam.com on April 2016. Useful CSR quotes.

⁴⁷Kiobya, A.A (2011). **The study of practice of Corporate Social Responsibility at CRDB Bank;** MBA(Finance) Dissertation, UDSM.

towards the beneficiaries or stakeholders that include employees, consumers, the community at large and the natural environment.⁴⁸

Also known by other synonyms like, Corporate Citizenship, Corporate Responsibility Sustainable Responsible Business (SRB) and Corporate Social Performance (CSP), CSR is entirely a voluntary arrangement that is implemented by a corporation, it is included into the planned or strategy on the model of business in the form of self regulating machinery that lets them monitor and ensure their obedience to ethical standards, law and international norms.⁴⁹

The most all inclusive definition of CSR is given by Archie Carroll, which includes: “*the social duty of business includes the economic, legal, ethical and discretionary or charitable prospects that society has of business at a given period of time*”⁵⁰

The definition of CSR by Matten & Moon, which explains that “is a group of thoughts which overlaps with such concepts as business ethics, corporate charity, corporate citizenship, sustainability and environmental duty. It is a dynamic and contestable concept that is rooted in each social, political, economic and institutional perception”.⁵¹

Another very appropriately put definition of CSR explains the concept as “CSR is all about performance in a variety of social and environmental topic areas that usually embrace issues such as philanthropy, diversity, socially responsible investing, human rights, business ethics, environment, workplace issues, sustainability, corporate governance and community development.”⁵²

Corporate Social Responsibility is an idea that has become quite common in the world of business today. CSR has become a worldwide experience and an interesting topic which continues to grasp the attention of audiences throughout the world like writers,

⁴⁸Kiobya, A.A (2011). **The study of practice of Corporate Social Responsibility at CRDB Bank;** MBA(Finance) Dissertation, UDSM. at Page 15

⁴⁹Ibid at Page 16

⁵⁰Ibid

⁵¹Ibid

⁵²Ibid

analysts, governments, think tanks, non-governmental organizations, many of whom believe that CSR is immaterial to big business through those like Milton Friedman, who do understand its significance but think that it is bad for the company, to the large number of writers who consider CSR is certainly of calculated importance to company.⁵³

CSR serves as an important strategy in which a modern business is built. We hear that big companies are adopting a more communally accountable behavior towards their environment i.e. the society at large. Firms should sometimes engage in activities that benefit employees, suppliers, customers and society at large, even if those activities reduce the present value of the cash flows generated by the firm.⁵⁴

From this multiplicity of definitions of CSR, the researcher chose the following definition of CSR to be used in this study: CSR as a stakeholder-oriented concept that extends beyond the boundaries of the organization, driven from an ethical understanding of the responsibility of the organization for the impact of its business activities, seeking in return the willingness of society to accept the legitimacy of the business. The researcher decided to pick the definition because it is based upon the stakeholder concept and calls for the definition because it is based upon the stakeholder concept and calls for a real integration of CSR should result in a win-win situation for the company and its stakeholders.

2.2 The meaning of corporate objectives

Corporate objectives (corporate policy) aim to shape and control events within organizations. This involves making long term assessments, plans and strategies and on how to attain them by having a policy with precise and realistic goals based on available resources, after taking into account environmental factors (i.e. Corporate thinking). The most important objectives of any organization is to harness the talents and resources entrusted to it in furthering some public purposes, which is normally spelled out either in

⁵³Kiobya, A.A (2011). **The study of practice of Corporate Social Responsibility at CRDB Bank;** MBA (Finance) Dissertation, UDSM. Page 14

⁵⁴ Ibid

its Memorandum and Articles of Association, or in the Act establishing that particular organization.⁵⁵

The central question for each organization is what kind of corporate objectives the organization should seek. This can be done either by stating what should be the organization's role and objectives in modern society, or by historical analysis of the involvement of business objectives, or by constructing a system of objectives which is consistent and usable with one hand and which can be related to current business practice on the other.⁵⁶

Essential elements of corporate objectives from the above definition are that, objectives are seen as “a measure of efficiency of the resource – conversion process”.⁵⁷

Corporate objectives contain three elements: **the particular attribute** (e.g. return on the organization's equity), **the yardstick** or scale by which the attribute is measured e.g. the average rate of return on equity over the time horizon; and **the goal**, which is the particular value on the scale which the organization seeks to attain the optimization of this return.⁵⁸

However, corporate objectives should be derived by balancing the conflicting claims of the various “stakeholders” e.g. employees (including Materials Management Professionals) Management and shareholders etc. Since the organization has responsibility for all, it must configure its corporate objectives so as to give each measure satisfaction.⁵⁹

The philosophy of corporate objectives has been further complicated by structural changes within the organization. One such a change has been a major shift from

⁵⁵Malembeka, P.S (2015). “**Materials management in a developing market economy, The conflicting interests between materials management professionals and corporate objectives**”, A paper presented to the 11th Annual Professional Materials Management Conference held at ICC-Arusha. Page 4

⁵⁶ Ibid

⁵⁷ Ibid

⁵⁸ Ibid

⁵⁹ Ibid

ownership by a few individuals to ownership by many shareholders. This has created professional management cadres, working for remuneration, virtually in control of the organization fortunes. Guided by personal ambitions, their own interests or objectives can and frequently do come in conflict with the objectives of other stakeholders e.g. shareholders.

In order to have a successful policy, corporate objectives as has been pointed out earlier, must be explicit and realistic. In deciding a corporate policy, the following questions should be considered⁶⁰:-

- a) Are the objectives and strategies mutually supportive and non-antagonistic and well integrated?
- b) Do the objectives and strategies make sense in regard to what is happening outside the objectives?
- c) Will there be enough funds, trained manpower, etc. to achieve the objectives?
- d) Have risks proposed to achieve these goals realistic, acceptable?
- e) In practical terms, will the necessary resources be available when required and as required? Should difficulties arise, what options are there and how realistic are they?

There is an argument that, organizations do not have objectives (i.e. Corporate Objectives) rather, only people have objectives. Therefore, corporate objectives are in reality negotiated consensus of the objectives of the influential participants, and are renegotiated as they become unstable because of changes in power position or in eternal

⁶⁰Malembeka P.S(2015). “**Materials management in a developing market economy, The conflicting interests between materials management professionals and corporate objectives**” A paper presented to the 11th Annual Professional Materials Management Conference held at ICC-Arushu. Page 6

business conditions. Hence, from a particular point of view, objectives need to be made compatible with the existing information processing systems within an organization.⁶¹

Organizations have both “economic objectives aimed at optimizing the efficiency of its total resource – conversion process and “social or non-economic objectives which are the result of interaction between individual objectives of the firm’s participants. In most organizations, the economic objectives exert the primary influence on the organization’s behavior and from the main body of explicit goals used by Management for guidance and control of the organization. On the other hand, social objectives exert a secondary modifying and constraining influence on Managerial behavior, hence corporate objectives are decision rules which enable Management to guide and measure the organization's performance toward its purpose.⁶²

2.3 The relationship between CSR and Corporate Objectives.

In order to discuss this better, first I will explain the reasons for the companies to engage in CSR and in doing so, I will also link from a distance, the relationship between the two.

In the first phase of CSR category, which is called the legal stage, companies engage in CSR as a requirement to abide and to follow rules and regulations.⁶³ In the economic stage, companies use CSR as a tactic to generate an aggressive benefit and gain better financial management and performance.⁶⁴

⁶¹Malembeka ,P.S (2015). “**Materials management in a developing market economy, The conflicting interests between materials management professionals and corporate objectives**” A paper presented to the 11th Annual Professional Materials Management Conference held at ICC-Arushu. Page 6

⁶² Ibid

⁶³ Kiobya, A.A (2011). **The study of practice of Corporate Social Responsibility at CRDB Bank**; MBA (Finance) Dissertation, UDSM Page 14

The Petroleum Act of 2015 provides under Section 223 requires companies who have the licence to extract gas and petrol to have a CSR policy. Unfortunately the Act is limited to only Petroleum and Gas.

⁶⁴ Ibid at Page 22

The moral and humanitarian phase has the aim to have equilibrium between the profit, the people and the planet. In this stage, the corporation does not only centre itself on revenue, but also on communal wellbeing.

Literature explains that those that tried to make a negative distinction, between CSR and financial performance, dispute that this is due to the high venture cost of CSR. On the other hand, those who fight for an optimistic relationship between CSR and financial gains claim that a company that is perceived as “high” in CSR engagement, may have more motivated employees as well as the fact that the customers might prefer their products prior to competitors. It’s also notable that CSR activities might improve the company’s relationship with other stakeholders, for example, with Bankers, Shareholders and Government officials. It’s likely that this facilitates doing business and assuring financial gains. The role of communication is also explained by Freeman in his published work “A stakeholder approach” as well as by McGuire both explained that a good CSR policy can assist in informing the stakeholders which in the long run assures financial gains.⁶⁵

Surbutts (2003) argue that CSR can tarnish the corporate image and profile which in the long run also affect financial gains. He further explains that there should be right timing for participating in CSR and the timing is of utmost importance.⁶⁶

2.4 Employing CSR into the business practice

Putting CSR into practice for business fits much more complex than following a ‘one size fits all’ CSR instruction manual on business-society engagement. The ‘how’ of CSR is integrally connected to the ‘why’ of CSR. The conventional normative justification of what is commonly called the ‘business case of CSR’ is now matched by increasingly sophisticated guidance on how to align CSR to a company’s unique business model,

⁶⁵ Kiobya, A. A (2011). **The study of practice of Corporate Social Responsibility at CRDB Bank;** MBA (Finance) Dissertation, UDSM. Page 42

⁶⁶ Ibid

competitive positioning and marketplace advantage, with suitable corporate governance arrangements to match.⁶⁷

Moreover, companies must at least develop and articulate a comprehensible normative account of their company-specific commitment to CSR. At the very least, they have to do so for the purpose of bringing together into dialogue investors and other stakeholders on CSR issues, establishing CSR credibility with stakeholders and industry peers, participating in public debate about corporate irresponsibility, and entering the governmental arena to lobby and otherwise exert influence upon CSR public policy development. For example, as a recent McKinsey business survey on CSR reveals⁶⁸

Corporate leaders have to be involved in discussion not only because their companies have so much to add but also it is of strategic importance to them. Social - political forces, after all, can alter an industry's strategic landscape fundamentally; they can torpedo the reputations of businesses that have been caught unawares and they can create valuable market opportunities by highlighting unmet social needs and new consumer preferences.

So where and how should a CSR-minded company, board or individual director start? The short answer is that the CSR's Operationalization has to be attacked on a number of fronts all at once. A glimpse of this reality appears in *The Economist's* assessment of the standard characteristics of CSR leaders, as follows⁶⁹

Having committed to CSR, a company needs starting frameworks for developing and implementing CSR policies, strategies and measures. A meaningful whole-of-organizational approach and holistic organizational plan for CSR are both essential, with mutually reinforcing effects. All other business strategies, operations and performances

⁶⁷Horrigan, B. (2010). **Corporate Social Responsibility in the 21st Century: Debates, Models and Practices Across Government, Law and Business**; Edward Elgar Publishing, 2010; Australia at Page 269

⁶⁸Ibid at page 270.

⁶⁹Ibid

Like most big businesses, the CSR business has a number of motivators, a large number of followers and many sluggards. The leaders have a number of CEOs who advocates for the policy.

are best aligned with them throughout the organization, at both institutional and personal levels. In other words, the framework of CSR policies, implementation measures and monitoring systems must be sufficiently clear and customized to secure real understanding and commitment to the central CSR cause up, down, across the organization. It must also be useful enough for sub-organizational units and their people in relating all CSR options to their own work responsibilities, choosing between different CSR initiatives, and deploying CSR-sensitive business modeling and other tools in core business activities.⁷⁰

Corporate responsibility and sustainability information must feed into internal and external reporting mechanisms. Corporate systems and practices must be synchronized with organizational values that make CSR integral and, in turn, those values and correlative systems and practices must meaningfully reflect and accommodate public policy outcomes focused upon CSR. All of this must be managed holistically by a system of management and control that takes an overarching view of the company's performance in managing its legal obligations, organizational risks and business drivers.⁷¹

In practice, companies that are committed to CSR should undertake preliminary internal due diligence before going public on CSR. At bare minimum, they should conduct an organizational CSR health-check against suitable CSR external CSR standards, not least to avoid reputational damage and potential liability from premature or otherwise ill-conceived CSR claims. This also has the advantage of helping companies to make advance preparation for the kind of external CSR scrutiny to which they might be subject, for example, as participants in published CSR rankings or screening members of someone else's business service chain.⁷²

⁷⁰ Horrigan ,B. (2010). **Corporate Social Responsibility in the 21st Century:** Debates, Models and Practices across Government, Law and Business; Edward Elgar Publishing, 2010; Australia. Page 270

⁷¹ Horrigan ,B. (2010). **Corporate Social Responsibility in the 21st Century:** Op cit at Page 271

⁷² Ibid

To guide companies and their boards, especially in the initial post-commitment stages, suitable implementation and advisory vehicles include board –level CSR committees, organization-wide CSR steering groups, and external professional and stakeholder advisory bodies. Suitable generic terms of reference of these organizational vehicles include:

- (1) Coordinating CSR implementation and monitoring advice to the board;
- (2) Suggest world-class CSR reporting and certification standards;
- (3) Auditing existing organizational CSR systems and procedures;
- (4) Vetting standard organizational contracts and practices from a CSR standpoint;
- (5) Developing CSR policies and training material
- (6) Liaising with external stakeholders on organizational CSR matters;
- (7) Screening external CSR communication and reporting; and
- (8) Providing CSR implementation guidance and support to other organizational units.

At the same time, the journey towards CSR is not something that individual companies achieve simply by self-reflection, voluntary commitment and then self-regulation alone. They are located within networks of public, private and community actors, with ‘mechanisms for steering behavior associated with each (markets for firms, law for government, and community for NGO’s)’, including processes of enculturation and norm-setting that include ‘dialogue between firms, firms and NGOs, between firms and governmental actors and between NGOs and governmental actors’ - all facilitated within an underlying framework of law and wider regulation but not completely predetermined

and dictated by it. Moreover, as Professor Charlotte Villiers concludes, there are limits to what might be expected of companies alone in the realm of CSR.⁷³

In short, the practice of 21st Century CSR needs the legal and regulatory infrastructure for CSR to optimize the capacity for corporations to orientate themselves towards CSR for a mix of interconnected global, societal, and organizational reasons which are matched to each corporations unique mission, capacity, and surrounding context.⁷⁴

This complex and nuanced vision of corporate responsibility and sustainability is not achievable through either mandatory corporate regulation to force business to embrace CSR goals for neither public policy purposes, nor voluntary corporate self-regulation that leaves the practice of CSR to business self-interest alone. Accordingly, the starting point for organizational CSR design and implementation must embrace the ‘how’ and ‘why’ of company-specific CSR in ways which transcend divisions between laws and other company-affecting norms, position corporate interests to respond to a blend of relevant public and private interests, and relate CSR to all or particular aspects of a company’s business model and success.⁷⁵

2.5 Positive impacts of implementing CSR in corporations

CSR has at least 10 major benefits for business. They include the following;

Firstly, CSR relates to that part of social-ethical business responsibility and shared societal infrastructure that involves business contributing to the common good, whether for altruistic or self-interested reasons (e.g. choosing to avoid corporate social irresponsibility because it is the right thing to do, as distinct from making business contributions to civil society to ensure preconditions for successful profit making).⁷⁶

⁷³ Horrigan, B. (2010). **Corporate Social Responsibility in the 21st Century**: Debates, Models and Practices Across Government, Law and Business; Edward Elgar Publishing, 2010; Sdney at Page 271.

⁷⁴ Horrigan, B. (2010). **Corporate Social Responsibility in the 21st Century**: Debates, Models and Practices across Government, Law and Business; Edward Elgar Publishing, 2010; Australia. Page 272.

⁷⁵ Ibid

⁷⁶ Ibid

Secondly, CSR assists the business in adapting to its business environment and other surrounding changes. These changes incorporate CSR-related business drivers and risks, such as socio-economic paths, eco-technological innovations, consumer and NGO pressures, and internet-fuelled awareness of CSR issues amongst mass populations worldwide.⁷⁷

Thirdly, some CSR benefits for business relate directly or indirectly to improved corporate governance. For example, CSR can improve corporate governance arrangements, management structures and stakeholder engagement processes through improved business relations, communication and reporting.⁷⁸

Fourthly, CSR offers partnering, networking and coalition-building advantages for business. This includes relationship-developing, trust enhancing and expertise-sharing business advantages through participation in cross-sectoral multi-stakeholder initiatives involving governments, NGOs and business.⁷⁹

Fifthly, a business might perceives correlations between CSR practices and corporate performance, such as leveraging CSR partnership advantages, exploiting new markets and otherwise generating financial returns on socially and environmentally responsible business activity. This includes ways in which CSR helps a business to maintain competitiveness, in meeting CSR-related expectations and standard set of competitive peers and official regulators, as in business-to business and business to government contractual performance conditions that tie contracting, supply and distribution arrangements to CSR-related performance standards.⁸⁰

Sixthly, CSR offers distinct corporate reputational advantages, especially given the 21st Century significance of corporate reputations and brands as tangible assets, predicted on numerous bases of shareholder and stakeholder support. This includes improving

⁷⁷ Horrigan, B. (2010). **Corporate Social Responsibility in the 21st Century**: Debates, Models and Practices across Government, Law and Business; Edward Elgar Publishing, 2010; Sdney

⁷⁸ Ibid

⁷⁹ Ibid at Page 275

⁸⁰ Ibid

corporate reputation and corporate brand identification through cause-related marketing, social advocacy and other CSR-related promotion.⁸¹

Seventhly, as corporate reputation and brands are increasingly affected by external assessments from shareholder representatives, investment institutions and analysts, corporate ratings and advisory bodies, and NGOs, another benefit for business lies in meeting CSR-related investment decision-making, project financing, corporate rating and public interest criteria.⁸²

As an eighth benefit, CSR can also be aimed at improving governmental, regulatory and community relations, as a means of forestalling societal demands for extra business regulation as well as securing political and legal advantages over competitors. This includes enhancing links with local communities and governments in home and host countries of operations, and building community trust and goodwill, both generally and with a view to facilitating community support for particular business activities.⁸³

Last but one, meeting employee and customer needs has multiple business benefits, such as attracting and retaining good employees and customers, developing customer brand awareness and loyalty, and broadening management and staff perspectives and expertise.

Lastly, CSR is also related and can be related to company's compliance to CSR related law and regulations, in terms of the lowest minimum legal compliance with CSR-related law and regulation. In the words of others who analyze 21st century CSR through a legal perspective, 'the multitude of new laws, legal decisions and quasi-regulatory initiatives which support the assertion that "corporate social responsibility" is, amongst other things, a legal concept', collectively compel us to 'cast off any lingering and

⁸¹ Horrigan, B. (2010). **Corporate Social Responsibility in the 21st Century**: Debates, Models and Practices across Government, Law and Business; Edward Elgar Publishing, 2010Sdney. Page 275.

⁸² Ibid at Page 276

⁸³ Ibid

misconceived ideas that CSR does not incorporate legal responsibilities and is purely voluntary.⁸⁴

2.6 The practice of CSR in Tanzania

In Tanzania, just like other countries, CSR implementation exhibits different characteristics, particularly in the manner it has been managed and promoted. In this chapter, a detailed analysis of the actors involved in CSR promotion and its implementation, their levels of engagement as well as the enabling environment (policy, legal and regulatory environment) for CSR promotion is presented. In addition to this, stakeholders' understanding of the CSR concept is also analyzed.⁸⁵

Although the notion of CSR is fairly new in Tanzania, its existence historically shows that it has been existence for a long time. A number of initiatives reflecting its presence have been carried out by both public and private business institutions.⁸⁶

For example, in the wake of decreasing contributions of foreign aid to the national budget (from 42% in 2007/2008 to 28% in 2010/11) a move was made to seek other supplementary sources to meet the national development needs and one of the viable option was private sector participation. In 2006 therefore Tanzania and the international donor community (UN, governments and donor agencies) adopted the Joint Assistance Strategy. This multi-sector strategy, among other things, aims to facilitate private sector development with the objective to implement responsible business practices to better manage risks and costs; improve quality, productivity, and innovation; and harness new business opportunities and relationships.⁸⁷

⁸⁴Horrihan, B. (2010). **Corporate Social Responsibility in the 21st Century**; Debates, Models and Practices across Government, Law and Business. At Page 276

⁸⁵ GIZ: **Corporate Social Responsibility practices in Tanzania**: Insights from an in-depth study; Dar es salaam. Page 5

⁸⁶ Ibid

⁸⁷ Ibid at Page 6

CSR has also received attention from the local and international development partners who bring in financial and technical resources. These are what are known as actors in CSR which are the government, the foreign governments and the private sector.

Chapter three which covers Legal and Regulatory framework will have a discussion in these three as the intentions of this chapter were only to look at the concepts of CSR and corporate objectives.

2.7 Conclusion

In this 21st century, corporations need to have CSR in a way that it will be used as a strategy in marketing the company and in helping the company solve its governance issues and thus help the company to meet its set up objectives.

Other countries are already making CSR a mandatory and it is seen how the society and the company are benefitting from this strategy. It is more about how corporations are governed to be able to meet their objectives.

CHAPTER THREE

LEGAL AND INSTITUTIONAL FRAMEWORK ON CORPORATE SOCIAL RESPONSIBILITY IN TANZANIA

“If regulation distracts from best practice, then companies cannot be acting 'responsibly' because they believe it to be morally right to do so only because they are trying to get an advantage over their competitors”⁸⁸

3.0 Introduction

This chapter addresses the legal and institutional framework governing CSR in Tanzania. The chapter also presents a discussion on laws that address CSR and its implementation in Companies. However, the chapter also looked at the institutions established by those Acts to make a follow up and regulate CSR compliance to companies. It also looked at how the weakness of the legal and institutional framework has been affecting the companies' performances and image. This has made other companies to shy away from CSR by learning from these malpractices. It answers the research question No 4 on the effects of not having a sound CSR policy and not using it as a strategy.

3.1 Legal Framework

The historical background of the CSR in Tanzania started with CSR introduction in the 1950s and passed through several phases including the pre- and post-colonial era. Since independence, Tanzania has had a number of Acts that had and are construed to include the issue of Corporate Social Responsibility.⁸⁹

There has been a strong local desire to encourage and maintain ethical business practices, public accountability, transparency and good governance in Tanzania. To

⁸⁸Retrieved from www.corporatewatch.org on 11/4/2016

⁸⁹Fulgence, S.E (2016). **Corporate Social Responsibility in Sub Saharan Africa; sustainable development in its embryonic form**, Dar es salaam, Springer publishers, Page 112

address and promote CSR in Tanzania, a number of institutional reforms as well as rules and regulations had been formulated from time to time.⁹⁰

The reforms were aimed to replace the capitalistic private sector market economy inherited from the colonial government with the state owned centrally planned and controlled economy. Examples can be found in the *Ujamaa* policy which advocated for *self reliance* that was also incorporated in the economic and political policies.⁹¹

The rules and regulations were formulated to encourage public answerability and good governance and to promote good CSR practices. It included Arusha Declaration as advocated by the late Mwalimu Nyerere's government. However, to date, there is an insufficiency of regulatory controls on public answerability and lucidity in respect to corporate responsibility.⁹²

In fact, the government of Tanzania failed to create sufficient policies and institutional structures which would promote public accountability, responsibility and transparency in the state owned enterprises. As a result various anti-social practices have become widespread in Tanzania and so has severe and widespread poverty.⁹³

This brings the discussion to the current efforts made by the governments of the second, third and fourth phase to address the challenges that were left by the first phase government.

3.1.1 General Laws that address CSR in Tanzania

To start with, The Constitution of The United Republic of Tanzania, 1977 as amended from time to time, states under Article 24 (2)⁹⁴ of the Bill of Rights on Fair and equitable

⁹⁰Fulgence, S.E (2016). **Corporate Social Responsibility in Sub Saharan Africa; sustainable development in its embryonic form**, Dar es salaam ,Springer Publishers. Page 113

⁹¹ Ibid

⁹² Ibid

⁹³ Ibid

⁹⁴ Article 24(2) of The bill of rights of fair and equitable compensation, article provides that "It shall be unlawful for any person to be deprived of his property for the purpose of nationalization or any other

compensation upon acquisition and nationalization of one's property. Though this doesn't speak anything about CSR, at that time it guaranteed and still guarantees compensation when land is acquired by state companies from the villages for instance, for the establishment of companies and major development and investment projects.

Moreover, The Tanzania Investment Act⁹⁵ and its Regulations⁹⁶, though they do not have specific CSR sections, they are set up to facilitate Investment in Tanzania in a way that can be best described as a "win-win situation" in the sense that the locals enjoy the benefits of investment through employment creation as provided under Regulation 49 to the Act.

In addition, The Village Land Act, provide that no village land transfer shall be transferred to the type, amount, method and timing of the compensation has been agreed upon.⁹⁷ The provisions of this Section indirectly affect corporations as many corporations tend to occupy huge chunks of land for investment purposes. And to avoid the conflict of interest as far as land is concerned between the Villagers and the Corporation, then the Village Land Act chips in to give room for compensation and that is where CSR also comes with the view of regard to the stakeholder's livelihood.

The offence that is created under Section 60 of The Environmental Impact Assessment and Audit Regulations⁹⁸ on falsifying the Environmental Impact Assessment Report or study makes sure that corporations that have engaged in Mining Activities, Agriculture, Extraction and Drilling adhere to the law and in so doing, caring for the community that will be affected by their activities which is the general purpose of CSR.

purposes without the authority of law which makes provision for fair and adequate compensation.

⁹⁵ No 26 of 1997 of the Laws of Tanzania

⁹⁶ Chapter 38, The Tanzania Investment Act (Subsidiary Legislation), Investment Regulations

⁹⁷ Section 8 (a), (b) and (c).

⁹⁸ 2005.

3.1.2 Specific Laws that address CSR in Tanzania

In an effort to tackle the external pressure and to improve CSR, in 2002, the Tanzanian Government passed the Companies Act 2002⁹⁹ which repealed the former Companies Act of 1932. The Act made a number of important improvements to the Tanzanian Company Law in order to incorporate global developments into domestic law with regard to accounting disclosures, corporate governance and director's duties. For instance, Section 183 (1) provides the: 'matters of directors of the company must have regard to in the performance of their functions, which include having regard to the interests of the members, company's employees' and stakeholders.¹⁰⁰

Despite this requirement, the stakeholder interests are often subordinated to the pursuit of shareholder interests. Furthermore, while Section 206 of the CA requires audited financial reports to disclose details of the remuneration of directors and other officers, there is no obligation on companies to disclose information about, for instance, employee discrimination, employee health and safety, tax planning schemes, pollution and environmental degradation caused by corporate activities, and social difficulties caused by corporate acts and omissions in the local communities.¹⁰¹

In an attempt of working towards the conditions of the International Labour Organization (ILO) (2008) and the Universal Declaration of Human Rights (UDHR) with regard to employee working conditions and human rights issues, the Tanzanian government enacted the Employment and Labor Relations Act (2004a)¹⁰² and the Labor Institutions Act (2004b)¹⁰³ (which came into force in 2007 and 2006 respectively). In reaction to ILO obligations about the importance of improving workplace health and safety and minimizing workplace hazards, the Tanzanian government passed the

⁹⁹ Correctly cited as Companies Act No. 12 of 2002

¹⁰⁰ Vertigans, S, *et al* (2016). **Corporate Social Responsibility in Sub Saharan Africa; Sustainable development in its embryonic form**; Springer, Switzerland. Page 113

¹⁰¹ Ibid

¹⁰² Ibid

¹⁰³ Cited as Act No.6 of 2004

Occupational Health and Safety Act, (OSHA of 2003)¹⁰⁴ and the Workers' Compensation Act (2008). These legislations contain provisions that bind companies to improve working conditions and to protect employees against hazards to health and safety arising out of activities at work.¹⁰⁵

Following the international ecological concerns of the UN Conference on the Environment and Development (UNCED) at the Earth summit in Rio de Janeiro, in 1992 and a consensus that was reached in Johannesburg in 2002, Tanzania as a signatory, has had to reform its environmental legal framework. Thus, in 2002, the Tanzania government passed the Environmental Management Act (EMA)¹⁰⁶ to replace the National Environment Management Council (NEMC) Act of 1983. The EMA requires companies to submit an environmental impact assessment (EIA) together with an environmental management plan (EMP), before commencing operations. The Act requires companies to control and prevent pollution, manage waste products, and provide restoration plans and it goes further to provide penalties for failing to comply with the provisions.¹⁰⁷

A number of laws and regulations have also been enacted to impose obligations on companies in respect of a variety of social issues, including occupational health and safety, labor standards, non-discrimination and environmental protection. However, the ability of these provisions to promote public accountability, good governance, corporate responsibility and transparency has not yielded positive results.¹⁰⁸

In addition, recently, Tanzania passed the Petroleum Act (2015)¹⁰⁹ an Act to provide for regulation of upstream, midstream and downstream petroleum activities, establishment of the Petroleum Upstream Regulatory Authority, to provide for the National Oil

¹⁰⁴ Cited as Act No. 5 of 2003

¹⁰⁵Vertigans, S, *et al* (2016). **Corporate Social Responsibility in Sub Saharan Africa; Sustainable development in its embryonic form**; Springer, Switzerland. Page 114

¹⁰⁶No.20 of 2004.

¹⁰⁷Vertigans, S, *et al* (2016). Op Cit at Page 114

¹⁰⁸ Ibid

¹⁰⁹ No. 8 of 2015.

Company, to secure the accountability of petroleum entities and to provide for other related matters.

Part VIII of the Act deals with Government participation, Local Content, Corporate Social Responsibility and Integrity Pledge. The purpose of this Part is to stipulate how the Government can successfully participate in the entire petroleum value chain. It also seeks to ensure that the oil and gas industry benefits all Tanzanians. In this regard, this Part contains provisions on preference of using of goods and services provided by Tanzanian entrepreneurs, training and employment of Tanzanians, as well as technology transfer.

Section 223 of the Act provides for Corporate Social Responsibility. It states that, a license holder on annual basis shall prepare a credible corporate social responsibility plan jointly agreed by the relevant local government authorities or local government authority. It goes further to say that, the plan shall take into account environmental, social, economic and cultural activities based on local government priorities of host communities.

It further states that the plan shall be submitted to the local government authority for consideration and approval.

It is a good effort by the government to make sure that companies that come and invest in the gas and petroleum sector do have a CSR policy that will benefit the host communities. It is one of the ways that the government is trying to make CSR a mandatory to companies investing in the gas and petroleum sector.

The Act has also set a penalty under section 239(b) which says that a person who without reasonable excuse contravenes any directive issued under this Act commits an offence and shall be liable on conviction and in the case of a corporation to a fine of not less than five hundred million shillings.

Moreover, the Tanzania Extractive Industries Act of 2015¹¹⁰ states under section 15(1)¹¹¹ it requires companies which are engaged in the extractive industry to submit a report that contains CSR.

In addition, the Act goes further to provide a penalty under Section 23(b)¹¹² upon a body corporate to not more than 150 million shillings. This intends to make the corporations comply with the provisions of the Act.

The Tanzanian Mining Act,¹¹³ clearly states under Section 10 on Development Agreement that is entered by the Minister on behalf of the government and the right holder. The contents of the agreement as stated under Section 10(4) though it doesn't specifically mention CSR, it does so indirectly and that is where CSR consideration can be found under the Act.

3.2 Institutional Framework.

On the one hand, the public institutions in place include:

Tanzania Investment Centre is a government agency established for the purpose of coordinating, promoting and facilitating investments in Tanzania and to advise the Government matters relating to investment.

The Tanzania Investment Centre (TIC) was established in 1997 by the Tanzania Investment Act¹¹⁴ to be “the Primary Agency of the Government to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment policy and related matters.”

¹¹⁰ No. 23 of 2015.

¹¹¹ Section 15(1) an extractive industry company shall submit to the committee annual reports containing information on local content and corporate social responsibility.

¹¹² Section 23(b) “any person who without reasonable causes, or fails to produce a document or an information required under this Act, within specified time, commits an offence and upon conviction shall be liable to: - in case of a body corporate to a fine not exceeding one hundred and fifty million shillings.”

¹¹³ No. 14 of 2010

¹¹⁴ No.26 of 1997.

The agency deals with all enterprises whose minimum capital investment is not less than US \$ 300,000 if foreign owned or US \$ 100,000 if locally owned. Enterprises engaged in mining and petroleum shall follow the approval process contained in their respective laws. However, the agency shall assist all investors to obtain permits, authorization etc. required by other laws to set up and operate investments in Tanzania.

The Tanzania Investment Act¹¹⁵ provides under Section 6 (d),(e) and (g); the Centre in some other way regulates CSR in Tanzania through monitoring compliance with the other relevant statutes when it comes to investment, compensation when land has been transferred, environmental impact assessments, employment of the locals to mention but a few.

The Public-private partnerships coordination and finance units also play the role of coordinating such partnerships and link them with the appropriate ministries, agencies and departments.

Private Public Partnership means investment through private sector participation in a project undertaken¹¹⁶

Tanzania National Business Council (TNBC) which was set up in 2001 with the view to reaching consensus and mutual understanding on strategic issues relating to the efficient management of resources in the promotion of social economic development in Tanzania. At its core, TNBC seeks to create conducive environment for a private sector led economic growth in terms of wealth and employment creation and revenue generation in the poverty alleviation process.¹¹⁷

¹¹⁵ No. 26 of 1997.

¹¹⁶ Section 3 of the Public Private Partnership Act, 2010.

¹¹⁷ Mader Karin, (2012). **Corporate Social Responsibility in Tanzania**; An overview; Dar es Salaam. Page 6

It was established under Presidential Circular No. 1 of 2001 as an institution providing a forum for public and private sector dialogue for change.¹¹⁸

The purpose of dialogue is to reach consensus and mutual understanding on strategic issues relating to the efficient management of resources in the promotion of social economic development in Tanzania. Similarly, Zanzibar Business Council (ZBC) was established and launched in October 2005.¹¹⁹

Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) established to mobilize private sector enterprise development through business advice, development and intermediary services. The TCCIA actively supports dialogue and partnership between the public and private sectors, as well as with media organizations and civil society, through its advocacy program and Public-Private Sector Dialogue Conferences.

The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) established in 1988. It was initiated with the support of the Tanzanian Government to strengthen the private sector. The establishment of the TCCIA was an important step in moving on from a centralized, planned economy towards a more open, mixed economy giving full scope to privately owned enterprises and farms. TCCIA has opened regional offices in all 21 regions of mainland Tanzania and over 90 district centers, which are autonomous in their operational activities. Assistance of Swedish governmental development agency-SIDA has played a vital role in establishing the regional and district Chambers especially in providing training, office equipment and mobilization/sensitization of the business community. These autonomous TCCIA Chambers in 21 regions of the country link the private sector to the Government with a view of promoting the development of private enterprise. By linking issues central to business, the Chamber serves an arena where dialogue with the government serves to promote sustained growth and development of the private sector.¹²⁰

¹¹⁸ Retrieved from www.tnbc.go.tz on 31st January 2016. Information about tnbc

¹¹⁹ Ibid

¹²⁰ Mader Karin, (2012). **Corporate Social Responsibility in Tanzania**, An overview; Dar es Salaam.

Since the primary objective of this institution is to assist the Small and Medium Enterprises (SMEs) it touches a number of key factors that are regarded as CSR such as empowering the locals, compensation upon land acquisition and through a number of laws that are under the TCCIA, in one way or the other it touches CSR.

On the other hand, a number of private sector institutions and forums have been established with several objectives, including fostering effective CSR and the related partnership models:

The Tanzania Private Sector Foundation (TPSF) established in 1998 as the result of the pressure to unite the private sectors' voice, promote private sector-led social and economic development by offering services to its members, representing their common interest and engage in effective advocacy with the Government.¹²¹

The Tanzania Private Sector Foundation was formally incorporated under the Companies Act (Cap 212) on 4th November 1998. It was established as a company limited by guarantee in order to promote private sector-led social and economic development in Tanzania and specifically it is aiming to carry out the following functions:¹²²

- Providing member organizations with services they value;
- Understanding and representing their common interest; and
- Engage the Government in effective advocacy and lobbying.

The Tanzania Private Sector Foundation exists to advocate and seek change in public policy in order to promote a better business environment. TPSF's main objective is to provide a national platform through which the business community can present their concerns at the TNBC policy forums, with the overall aim of creating a more conducive

Page 7

¹²¹Mader Karin: (2012). **Corporate Social Responsibility in Tanzania**, An overview; Dar es Salaam.

Page 6

¹²² Ibid

business environment through targeted policy reforms. TPSF also work towards promoting the private sector's national, regional and global competitiveness in trade and investment.¹²³

The institution has some of the following objectives which in one way or the other touch some aspects of CSR such as Employment and improvement of livelihood.¹²⁴

- To represent the interests and concerns of members, private businesses, business people, entrepreneurs, employers and professionals in each sector of Tanzania's economy; and create effective coalitions and alliances within Private Sector Organizations (PSO's) as well as encourage cross-sectoral linkages.
- To promote private sector corporate social responsibility, environmental protection and prudent use of Tanzania's natural resources, towards ensuring growth and sustainable development.

CEO Roundtable – a policy dialogue forum that brings together CEOs of 60 leading companies doing business in Tanzania.¹²⁵

The CEO Roundtable of Tanzania (CEO rt) was found in 2000 by a small group of CEOs. The main objective was to create a forum through which industry leaders within the Tanzanian private sector could constructively engage with government, its development partners and other stakeholders with a view to creating a more conducive environment for business to prosper and for the country to develop.¹²⁶

It is where CEOs of different multinational companies get a chance to meet and discuss with their colleagues on the best corporate practices that also includes CSR.¹²⁷

¹²³Mader Karin, (2012). **Corporate Social Responsibility in Tanzania**; An overview; Dar es Salaam.

Page 6

¹²⁴ Ibid

¹²⁵ Ibid

¹²⁶ Ibid

¹²⁷ Ibid

The Confederation of Tanzania Industries (CTI) – an independent body with a membership of 280 small, medium and large enterprises – works to ensure that the business environment enables industry to operate effectively so that it can prosper and contribute to national wealth and development.¹²⁸

The Tanzania Chamber of Minerals and Energy has close to 60 members which are active in the mining sector from exploration to production. It acts as a voice for the industry and a mediator between the mining investment community and key stakeholders, including the Government and the public.¹²⁹

Examples for business groups with a particular country focus are the American Chamber of Commerce and the British Business Group Tanzania. The latter works closely with the British High Commission representative UK agencies and other stakeholders in order to improve the business environments and economic potentials of Tanzania. The American Chamber of Commerce shares similar goals. Both also aim at strengthening the growing business ties between respective home countries and Tanzania. Service clubs, such as the Rotary and Lions Clubs, bring together business and professional leaders in order to organize specific campaigns for community development and to support various charity projects.¹³⁰

The Association of Tanzania Employers (ATE) represents the interests of more than 800 members, including business associations and individual enterprises, large or small, both, in the private and parastatal sectors. It entails in dialogue with the Government, Trade Unions and national tripartite bodies, such as the National Social Security Fund, to bring about sustainable socio-economic development in Tanzania. To its members the ATE provides advisory and representation services in areas such as legal and human rights and human resources development.¹³¹

¹²⁸Mader Karin, (2012). **Corporate Social Responsibility in Tanzania**; An overview; Dar es Salaam.

Page 6

¹²⁹ Ibid

¹³⁰ Ibid

¹³¹ Ibid at Page 7

Extraction Industries Transparency Initiative (EITI): coalition of governments, companies, civil society groups, investors and international organizations, sets a global standard for transparency in oil, gas and mining.¹³²

This initiative is related to the Extractive Industries Act in a manner that the initiative is a global initiative that provides standards for governing extractive industries. The initiative has a standard known as **Extractive Industries Transparency Initiative Standard** which means an international framework that provides guidance to implementing countries in governing extractive industries. The Act was drafted in a way that it ratifies the international standards.

In 2010 and 2012, Bank M collaborated with the East African Business Council (EABC) to introduce and sponsor the **East African CSR Awards** as a way of recognizing companies excelling in CSR aspects. It was from the initiative and design of Africa practice, a consultancy firm. It resulted into a higher percentage of awareness and helped in publishing CSR in Tanzania. In 2012, it attracted applicants from different sectors such as: Banks, Food and Beverages, Transport, Telecommunications and Tourism (e.g. Exim Bank, Serengeti Breweries, Coca Cola, Swiss port, Vodacom, Tigo, Kibo Palace Hotel,)¹³³

Other companies that have also made applications to the Awards or have been traditionally active in CSR related aspects are: Airtel, Barclay's and Standard Chartered Banks, Tanga Cement, Unilever Tea Tanzania and Sandal Wood Industries.¹³⁴

3.3 Weakness of Lawson addressing CSR and how it resulted to malpractices.

Although Tanzania passed the Petroleum Act and The Extractive Industries Act in 2015, their strength is questionable. For instance, Section 223 of the Petroleum Act that

¹³²Mader Karin, (2012). **Corporate Social Responsibility in Tanzania**; An overview; Dar es Salaam.

Page 7

¹³³ Ibid

¹³⁴ Ibid

requires companies to submit a CSR plan to local government authorities and the authorities to prepare guidelines brings about so many questions about the understanding of CSR to these authorities. Where do they get these guidelines from? Are they trained on the proper models of CSR? Do they even understand what CSR is? Is this implementation in line with the political ambitions? Are there any boundaries as not to be politically motivated? Such questions make these provisions toothless and seem to be just paperwork.

Tanzania has had a number of situations which are considered to be the weaknesses/challenges that CSR encountered resulting in different malpractices. The first challenge that resulted in bad-practice is the definition of the very term. The term ‘CSR’ had been unclear, mal-practiced and mismanaged by both corporations and governments. The abuse ranges from companies to communities who are the targeted and also expected to be beneficiaries of CSR projects. Therefore, the abuses may sometimes be intended, and at other times may be out of ignorance about what CSR is.¹³⁵

The second challenge is the issue of uncertain CSR policies. The existence of ambiguous policies on CSR, or the non-existence of those policies, this creates a room of abuse to companies that use such weaknesses to their own advantage. Such advantages include brand advertising or product advertising. A number of companies use CSR strategically to gain public support for their presence in markets, and this helps then to sustain a competitive advantage over others by using their social contributions to provide subconscious advertising.¹³⁶

The third challenge is the abuse of OECD (Organization for Economic Cooperation and Development) guidelines. Looking at OECD Guidelines for Multinational Enterprises, corporations are expected to contribute in different aspects such as environmental

¹³⁵Mbirigenda,S. (2015). **Corporate Social Responsibility in Tanzania**: Experience of Misconception, Misuse and Malpractices, at Page 105

¹³⁶ Ibid

improvement and in the economic sector so as to boost sustainable development. They are also required to respect the human rights of those who are affected by their daily investment activities including the employees, host communities, local capacity building through cooperation with local communities and the inclusion of local businesses. The OECD guidelines also direct companies, their associates and their business partners such as suppliers and sub-contractors, to apply ethics of corporate conduct which are incompatible with corporate governance and socially responsible citizenship.¹³⁷

Companies are also advised to not engage in local political activities and they must refrain from discriminating or disciplining an employee who makes bona fide reports (whistle blowers) to management or competent public authorities on practices that contravene the law. It is also observed the despite the fact that these principles are well known and certain, few corporations in Tanzania adhere to these principles.¹³⁸

This matter of non-compliance has a long historical background worldwide from the General Agreement on Tariffs and Trade (GATT) to International Trade Organization (ITO) which both left MNCs unregulated.¹³⁹

The fourth challenge is the absence of the central role of the state. In absence of the central role of the state, OECD guidelines remain non-binding in Tanzania, with companies abusing CSR practices. The first area of CSR malpractice in Tanzania is disclosure.¹⁴⁰

CSR requires companies to disclose their activities that can either be positive or negative to the society and this is what is termed as ‘transparency’ in Corporate Governance.¹⁴¹

In fact the CSR of accompany will only be correctly perceived by the public if its social and environmental value is transparent. However, research has shown that a handful of

¹³⁷Mbirigenda, S. (2015). **Corporate Social Responsibility in Tanzania: Experience of Misconception, Misuse and Malpractices**, at Page 106

¹³⁸ Ibid

¹³⁹ Ibid

¹⁴⁰ Ibid

¹⁴¹ Ibid

companies have been hesitant to disclose their activities under the umbrella of confidentiality and how their activities affect the surrounding communities.¹⁴²

In Tanzania these challenges contribute to different abuses. For example, one of the important principles when conducting CSR is that a company must be transparent.¹⁴³

However, while claiming to do CSR, companies such as MIC, Vodacom, CRDB, Barclays Bank, Geita Gold Mine, Africa Barrick Gold Mines and Williamson Diamond Mines give all the reasons for non-disclosure policies of their companies. It was observed that when doing so, the activities of these companies had some negative impacts to the neighboring communities. In this case, it was the right of society to know about these practices, and there possibility of the companies to distribute the information.¹⁴⁴

Mining companies in Tanzania were also among the companies that hesitated to disclose information to the researchers about the nature of their activities. This was evidenced in Africa Barrick Gold, Geita Gold Mine, Williamson Diamond Mines and banks such as Barclays and CRDB.¹⁴⁵

As transparency is one of the basic CSR principles, refusal to disclose information about business activities by companies is widespread in Tanzania, which leaves flexibility for CSR to be a tool to publicize business accomplishments.¹⁴⁶ For instance, Geita Gold Mine was reported to have taken a piece of land from Nyamalembo village primary school, to build a hostel for girls' secondary school as part of its CSR initiative. It also released poisonous water into villages' water sources and then provided seasonal tap

¹⁴²Mbirigenda, S. (2015). **Corporate Social Responsibility in Tanzania: Experience of Misconception, Misuse and Malpractices** at Page 106.

¹⁴³ Ibid

¹⁴⁴ Ibid

¹⁴⁵ Ibid at Page 108.

¹⁴⁶ Ibid at Page 108

water as its CSR project. Similar examples were seen with Mtibwa Sugar Company, Barrick Gold, among others.¹⁴⁷

The banks such as CRDB, NBC and Barclays and mobile phones service companies such as Vodacom Tanzania, Tigo (MIC) and Airtel Tanzania used CSR strategically to develop their businesses, to get new customers and advertise their brands with little and sometimes without a cost. Some of these CSR initiatives were a mockery to the civilized world; companies that made billions of dollars such as Airtel Tanzania gave few books to few schools, and called it giving back to the community.¹⁴⁸

The absence of clear rules and regulations ensured that corporations behaved without responsibility. Though CSR is defined as doing more than what the law requires companies to do, practices show that CSR actually allows abuses and dodging from even those requirements that fall within the law.¹⁴⁹

CSR is about doing more than what the law demands, but companies in Tanzania were avoiding even what the law stipulated. This already casted doubt on the authenticity of their CSR commitment.¹⁵⁰

Even when it came to internal CSR, whistle-blowers were not tolerated and many times were intimidated; this was clear when the management of some companies involved in this study were afraid to give information related to CSR in their companies.¹⁵¹

In short, in Tanzania, CSR presented a contradiction between what companies actually did and what they claimed to do. While corporations have a number of reports on how they implement CSR, there is little evidence to show on how surrounding communities have benefited. The deficiency created by mining companies in terms of environmental pollution and other resources show that the whole question of livelihood of the natives was horrifying. Moreover, it has been reported that a number of companies including

¹⁴⁷Mbirigenda,S. (2015). **Corporate Social Responsibility in Tanzania: Experience of Misconception, Misuse and Malpractices** at page 108

¹⁴⁸ Ibid

¹⁴⁹ Ibid

¹⁵⁰ Ibid

¹⁵¹ Ibid at page 109

manufacturing, mining and telecommunication companies dodge corporate taxes under the umbrella of community contributions that in their view is what they call CSR¹⁵²

3.4 Conclusion

Despite Tanzania having a number of laws that touch some aspects of CSR and even recently passed the two laws, The Extractive Industries Act and the Petroleum Act both of 2015, the abidingness of the legislations is only to the companies that are listed in the acts in the sense that the Acts have jurisdiction to companies investing in Petroleum and Gas and the extractive industry respectively. And even to the companies listed, the provisions are only advocating for CSR instead of providing clearly how and what they should be.¹⁵³ Still CSR is not properly regulated as the laws do not have a draft CSR policy that companies should comply with as there has not been regulations that have a draft CSR guideline. This shows a very big loophole in the regulation of CSR especially in the other investment sectors.

¹⁵²Mbirigenda, S. (2015). **Corporate Social Responsibility in Tanzania: Experience of Misconception, Misuse and Malpractices** at Page 106

¹⁵³In an interview with the Director of Corporate Social Responsibility of Songas.2015.

CHAPTER FOUR

THE RELATIONSHIP BETWEEN SONGAS CORPORATE OBJECTIVES AND CSR IN PRACTICE

We need business to understand its social responsibility that the main task and objective for a business is not to generate extra income and to become rich and send money abroad, but to look and evaluate what a business/businessman has done for the country, for the people.....¹⁵⁴

4.0 Introduction

This chapter will cover the whole range of Songas Corporate Objectives, its CSR policy, the relationship between the two and how it is being practiced by Songas. It will cover the number of projects that are established under the theme of Community Development Programs that are carried out in the neighboring communities and it will show how they have benefited from the projects. It is important to have a look at the policy and practice of CSR which is referred to as Community Development Projects as practiced by Songas as it will lay a foundation to the Data Analysis and Findings.

Neighboring communities refers to communities/villages along the Songo Songo gas pipeline route - from SongoSongo Island to Dar es Salaam. Our pipeline is passing through 6 districts - Kinondoni, Temeke, Ilala, Mkuranga, Rufiji and Kilwa - 51 villages

4.1 Songas Corporate Social Responsibility Policy

Songas over the years has developed its own version of Corporate Social Responsibility Policy which serves as a guideline in carrying out the implementation of the projects. However, they do not term it as Corporate Social responsibility as such, but they refer to it as Community Development Projects¹⁵⁵.

¹⁵⁴Vladmir Puttin; Retrieved from www.brainyquotes.com on 11/4/2016.

¹⁵⁵ See Annexure A.1 Songas CSR Policy at Page 89

4.1.1 Basis of Community Development Projects.

Under Schedule 2, Section 5 of the Project Agreement between the International Development Association (IDA) and Songas Limited dated October 11, 2001; Songas shall in each year issue an annual report on its community development programmes and actions to protect bio-diversity in Tanzania.¹⁵⁶

4.2 Analysis of Community Development Projects

Promotion of community development initiatives has continued to be Songas' practice in engaging local communities along the way. This commitment has proved to be successful in maintaining good relationships with communities in project areas. During 2013 the company spent 97% of its total community budget on planned community projects in areas of Education, Health, Livelihood and Environment¹⁵⁷ whereby 91% was also spent in 2014 in the same areas of the community project budget.

A total of \$331,400 out of the annual budget of \$342,000 was spent or fully committed in 2013; the balance of approximately \$10,000 was not committed due to late submission of a project proposal.¹⁵⁸

In addition, a total of \$343,500 out of the annual community budget of \$352,000 was all spent or fully committed by the end of 2014.¹⁵⁹

4.2.1 Education

In 2013, a total of \$191,500 (about 56% of the total community budget) was spent on education-related projects. Highlights include construction and renovation of 10 classrooms worth \$77,000 and donation of more than 450 desks worth \$33,000 in total

¹⁵⁶ Songas, (2013). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013**. See the annexure A.3 Songas Project Agreement at Page 91

¹⁵⁷ Ibid

¹⁵⁸ Ibid

¹⁵⁹ Songas ,(2014). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2014** at Page 7

to six different primary schools along the way leave, 2 in Dar es Salaam and 4 outside Dar es Salaam. The projects have directly benefited more than 1,500 pupils studying in those schools. Some schools practice a shift system, increasing the number of students able to use the facilities provided.¹⁶⁰ Otherwise, a total of \$220,000 was spent on education related projects in 2014. Highlights include renovation of 6 classrooms at Bungu village in Rufiji district and the construction of 4 classrooms at Salasala village in Dar es Salaam. A further donation of 450 desks was made to 6 different primary schools within and outside Dar es Salaam.¹⁶¹

Poor performance in science subjects in most community secondary schools is linked to the lack of science laboratories in those schools. In 2013 Songas donated 6 mobile laboratory tables to Tambani secondary school, which is located in Mkuranga District.¹⁶²

The company further donated 2100 copies of text books worth \$10,000 to 8 secondary schools in communities neighboring the way leave out of Dar es Salaam. The schools which benefited with this support are Kinjumbi & Kikanda Secondary Schools in Kilwa district; Mohoro, Ruaruke and Msafiri Secondary Schools in Rufiji District; and Lukanga Mkugilo and Tambani Secondary Schools in Mkuranga district. This donation helped reduce the current shortage of textbooks in secondary schools and hence increase access to quality education for young Tanzanians.¹⁶³

4 houses for teachers were installed with solar power systems in Mkuranga and Rufiji district. The houses are remotely located and have no chance of getting power from the national grid for many years to come. A total of \$22,000 was further spent for construction of one teacher's house in Mikere village in Mkuranga district.¹⁶⁴

¹⁶⁰Songas, (2013). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013** at Page 5

¹⁶¹Songas, (2014) Op Cit

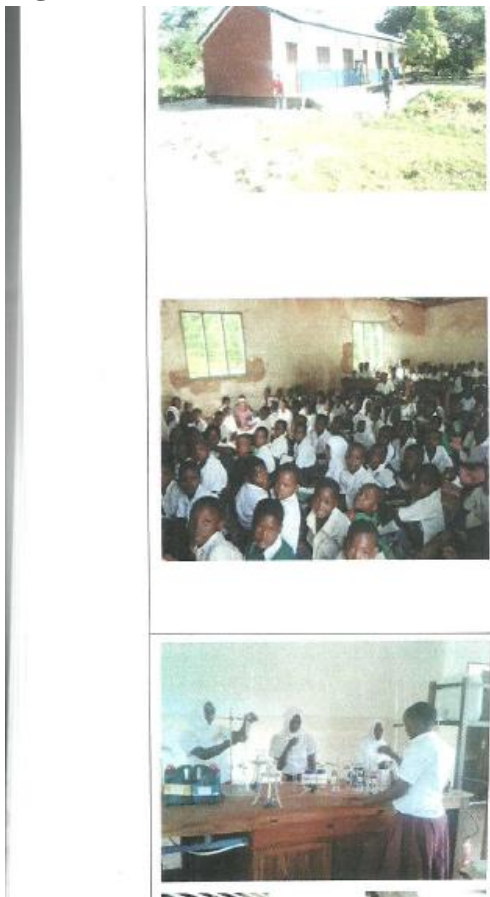
¹⁶²Songas, (2013) Op Cit at Page 5

¹⁶³ Ibid

¹⁶⁴ Ibid

In addition, in 2013, a total of 98 new students were enrolled in the Songas scholarship scheme. This makes a total of 249 students who benefited from Songas scholarship in 2013. This scholarship program requires a student to achieve a performance of greater than 30% in their end-of-year examination in order to continue to be supported in the following year. Also, secondary schools in which these students are studying are also being provided with financial support to a tune of \$10,000 in total.¹⁶⁵

Figure 4.1 constructed school and science laboratory



Source: Songas; Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013

¹⁶⁵Songas,(2014). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2014** at Page 5

In addition, in 2014 a total of 255 students (162 girls and 93 boys) benefited from the scholarship program.¹⁶⁶

Two houses for teachers were donated and two schools, along the way leave. One is in Mikere village in Mkuranga district and the other is at Rungungu village in Rufiji.¹⁶⁷

In commemorating its tenth year anniversary on 18th October 2014, the company donated 4 classrooms to Salasala primary school in Kinondoni district. The event sent out a message to the general public and the parents of the school children on the need to support education. During the event, a number of activities were done by volunteer Songas staff, including planting trees and painting the old classrooms for the school. Apart from classrooms, the company also donated sports gear to students and supported them to grade and level a football pitch.¹⁶⁸

¹⁶⁶Songas ,(2014). Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2014 at Page 5

¹⁶⁷ Ibid

¹⁶⁸ Ibid at Page 6

Figure 4.2 Songas donation and hospital renovation



Source: Songas; Annual Report to the International development Association; Community Development Programs and Actions to Protect Bio-Diversity-2014

Two houses for teachers were handed over to Muyuyu primary school in Rufiji district. The houses were fully equipped with a solar power system for lighting and some power. The houses are now accommodating three teachers and their families who were before the assistance staying about 15km from the school due to lack of such facilities at the school or nearby.¹⁶⁹

¹⁶⁹Songas,(2014). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-** at Page 6

Figure 4.3 Teachers houses constructed by Songas



Source: Songas; Annual Report to the International development Association; Community Development Programs and Actions to Protect Bio-Diversity-2014

4.2.2 Health

The maternal mortality rate in Tanzania is at 454 deaths per 100,000 live births. Most of these deaths are preventable and largely due to a lack of essential obstetric care. In helping to address this problem the company committed \$10,000 in 2013 to support a “Stand Up for African Mothers” campaign, which is managed by AMREF (a Pan-African medical organization) which aimed at training 3,000 Tanzanian midwives by 2015 to help making childbirth a joyful and safe experience for Tanzanian women.

Songas supported the training of 3 nurses were employed in dispensaries along the way leave.¹⁷⁰

A total of \$19,600 was spent in 2013 to support the construction of two village dispensaries in Rufiji and Kilwa districts respectively. It is expected more than 12,000 people will have access to primary health care as a result of these facilities. An additional of \$1,900 and \$2,800 were spent on the construction of an incinerator at Songo Songo Island village dispensary and for installation of solar PV system at a nurses' house in Mkuranga district respectively.¹⁷¹

Knowledge, Attitude, Practice and Behavior (KAPB) survey on HIV/AIDS, which was conducted in SongoSongo Island in 2012 revealed a need for an awareness campaign for the islanders. In October, 2013 a big sports bonanza was organized by the islanders with a help from Songas. A number of sports were employed to send out different messages. Brochure and T-Shirts with words “ **Songo Songo Bila Ukimwi na Malaria Inawezekana**” meaning “ **Songo Songo Free from Aids and Malaria is Possible**” were distributed to participants.¹⁷²

Moreover, in 2014 \$30,000 was spent to support the construction of a doctor's house and finishing of a village dispensary building at Uponda village in Rufiji district. Once completed the district council for Rufiji has promised to supply the medical professionals and equipments to make the dispensary operational.¹⁷³

Childhood cancer is one of the on-going health problems in Tanzania with between 2000 to 2300 cases per year. Muhimbili National Hospital – Pediatric Oncology Ward is the only children's cancer ward in Tanzania and treats children for free. The ward has a capacity of treating up to 400 children per year. Unfortunately, the ward does not have

¹⁷⁰ Songas, (2013). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013** at Page 6

¹⁷¹ Ibid

¹⁷² Ibid

¹⁷³ Songas ,(2014). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2014** at Page 8

any qualified Pediatric Oncologist apart from Dr. Trish Scanlan who is an Irish citizen. In order to address this problem and establish a foundation for long-term sustainability in treating children with cancer, the Muhimbili University of Health and Allied Sciences in collaboration with international colleagues in Ireland has established an MSc course based in Tanzania. The course provides Tanzanian students with 3 months work experience in advanced clinical settings in Ireland.¹⁷⁴

4.2.3 Environment

\$50,000 was spent in 2013 in funding the Environment, Development, Governance and Education (EDGE) project, which is being carried out with the support of the Tanzania Forest Conservation Group (TFCG) in 7 villages along the way leave with a total population of around 8,400 people. Two more villages were added to the program in 2013 making a total of 9 villages benefiting directly from the project. The two villages are Rungungu and Mangwi.¹⁷⁵

Technical support was continued to be offered by TFCG to farming and bee keeping groups in Chumbi, Runguru, Mangwi, Shella, Marandego and Somanga Simu villages along the wayleave. A total of 109 farming group members were trained in agricultural improvement and nursery preparation and a total of 61 group members were trained in bee keeping. Apart from training, the groups were also supported with equipment such as watering cans, machetes, hoes, seed of various crops and vegetables and beehives. A total of 100 improved mango trees were planted at Somanga Simu as a result of this support and about 14.5 hectares of farm developed. This support has been reported to have significantly improved personal income of farmers from TZS 200,000/300,000 to more than a million shillings per year.¹⁷⁶

Moreover, the company continued to fund Tanzania Forest Conservation Group (TFCG) for the continuation of the Environment, Development, Governance and Education

¹⁷⁴ Songas,(2014). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2014**

¹⁷⁵ Songas,(2013). **Op cit at Page 7**

¹⁷⁶ Songas,(2013). **Op cit at Page 7**

(EDGE) project in 9 villages along the way leave. The EDGE project aimed at empowering local communities to manage their natural resources in ways which are ecologically sustainable, beneficial to them, and in accordance with good standards of governance. A total of \$50,000 was spent for the project in 2014.¹⁷⁷

4.2.4 Livelihood Promotion.

A total of \$23,000 was spent in offering entrepreneurship and leadership training to 48 representatives from 16 Village Community Banks (VICOBA) groups in Mkuranga district. Half of this amount was donated as seed capital for each of the 16 groups. The aim was to support the communities to improve their business and income generation activities, hence improving their well-being. The training was offered by SIDO (a government agency for small industries) for 8 days.¹⁷⁸

In December, 2013 rather than sending paper greeting cards, the company donated gifts worth approximately \$4,500 to the Kurasini Orphanage Centre in Dare salaam. The Centre was also supported with 6 dining tables and benches. The center accommodates 70 to 120 orphans.¹⁷⁹

In addition, in 2014 a total of \$18,000 was spent in offering additional entrepreneurship skills to 93 representatives from 31 Micro-finance groups (popularly known as VICOBA) in Mkuranga district. A further training on leadership and development skills was offered to 45 representatives from newly established Micro-finance groups. Both trainings were provided by SIDO (a government agency for small industries development) for 6 days.¹⁸⁰

¹⁷⁷Songas ,(2014). Op cit at Page 8

¹⁷⁸Songas,(2013). Op cit at Page 8

¹⁷⁹ Ibid

¹⁸⁰Songas ,(2014). Op cit at Page 8

Figure 4.4 orphanage centre donations by Songas



Orphans with happy faces while receiving gifts from Songas



Humudi Ndege is now a happy man after building a new house from a loan he obtained from his VICOBAgroup

Source: Songas; Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013

4.3. Graphical Descriptions of Community Spending in Dar es Salaam and Kilwa

Below is a summary of community spending categorically and geographically along the way leave. Up to 31st December, 2013 \$331,400 out of the annual community budget of \$342,000 was already spent or fully committed.¹⁸¹

Neighboring communities refers to communities/villages along the Songo Songo gas pipeline route - from Songo Songo Island to Dar es Salaam. Our pipeline is passing

¹⁸¹ See Annexure A.2: Graphical Descriptions of Community Development Spending at Page 90

through 6 districts - Kinondoni, Temeke, Ilala, Mkuranga, Rufiji and Kilwa - 51 villages.

4.4 Employment.

Up to 31st December 2012 the total of 69 Songas directly employed staff were made up of 63 local employees and 6 expatriates. The senior management team of Songas comprised 3 local employees and 3 expatriates¹⁸² whereas up to 31st December 2014, the company had 65 local employees and 5 expatriates. The senior management team of Songas comprised three local employees and 3 expatriates.¹⁸³

Songas uses Pan African Energy (Tanzania) (PAT) as its main contractor; PAT operates the Songo Songo Gas Processing Plant on behalf of Songas. At the end of 2012, PAT had 46 staff directly employed at Songo Songo Island of which 37 were local long-term employees, 7 were local short-term contract employees and 2 were expatriates.¹⁸⁴

The tables below give a more detailed picture of the employment trend on both Songas and PAT sides.

Status of Employment

¹⁸²Songas, (2013). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013** at Page 10

¹⁸³Songas ,(2014). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2014** at Page 9

¹⁸⁴ Songas,(2013). Op cit at Page 10.

Table 4.1: Number of Songas Employees (Local & Expats)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Nationals Headcount | 62 | 62 | 63 | 63 | 63 | 63 | 65 | 65 | 64 | 62 | 61 | 61 |
| National Leavers | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 0 |
| National Joiners | 1 | 0 | 2 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Expat Headcount | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 6 |
| Expat Leavers | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Expat Joiners | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |

Source: Songas: Annual Report to the International development Association (2013)

Table 4.2: Pan African Employees working in Songas Gas processing Plant

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| National Headcount | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 |
| Nationals Part-time | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Expat Headcount | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

Source: Songas: Annual Report to the International development Association (2013)

Table 4.3: Number of Songas Employees (Local expats)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Nationals Headcount | 61 | 61 | 62 | 63 | 64 | 65 | 65 | 64 | 58 | 63 | 63 | 65 |
| National Leavers | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 7 | 0 | 0 | 0 |
| National Joiners | 0 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 6 | 0 | 2 |
| Expat Headcount | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Expat Leavers | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expat Joiners | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: Songas: Annual Report to the International development Association (2014)

4.5 The relationship between corporate objectives and CSR

The primary objective of the company is to sell gas to Tanesco which in turn will help Tanesco produce electricity¹⁸⁵. However, the company has other objectives as well as stated under the Songas Project Agreement (Agreement between International Development Association and Songas Limited) which is referred to as Development Credit Agreement dated October 11th, 2001.

As the agreement provides, Article II read together with Schedule 2, derives the other objectives of the company.¹⁸⁶

From the Agreement, it is clearly seen how the execution of the project which is in line with the objectives of the company does depend on a sound CSR strategy. This was the basis of implementation of Community Development Projects.

From the provisions of Article II Section 2.01(a), the aspect of environmental practices has been mentioned and it is also seen in the CSR policy of the company.¹⁸⁷

The objectives of the company have been going hand in hand with the implementation of the Community Development Projects and this has helped Songas secure its investments against vandalism and involving the neighboring communities in the execution of project as they are the secondary stakeholders¹⁸⁸

4.6 Conclusion

Although CSR and its practices has a lot of criticisms, it has many benefits to the society in terms of compensating the disruption in their daily lives and improving their social values in different aspects such as in health, safety, education and poverty eradication. Thus, when we look at the future of Tanzania beyond the requirements of Millennium Development Goals, we can picture CSR as one of the possible ways to finance

¹⁸⁵In an interview with Songas director of CSR.2015.

¹⁸⁶ See Article II Section 2. 01 (a) and Schedule 2 of The annexed Project Agreement at Page 93.

¹⁸⁷ See the annexed CSR policy, Annexure A.1 Songas CSR Policy at Page 89

¹⁸⁸In an interview with Songas director of CSR.2015.

development in the country. However, evidence shows that CSR is doing poorly with some activities failing and others rejected by local communities while some have been showing disappointing results. The main reason that has been extensively argued is the non-involvement of beneficiaries (stakeholders) in the decision making process. Stakeholders are one of the strong pillars that support the company's survival, therefore they shouldn't be under estimated, ignored or isolated.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS OF FINDINGS

CHALLENGES FACED DURING IMPLEMENTATION OF CSR: ANALYSIS OF OPPORTUNITIES AND RESPONSE FROM STAKEHOLDERS

“CSR isn't a particular programme, it's what we do every day, maximizing positive impact and minimizing negative impact.”¹⁸⁹

5.0 Introduction

The researcher managed to collect field data from different sources in the regions of Dar es Salaam and Lindi for a period of one month. The researcher employed the methods of interview, questionnaires and focus group discussion (FGD) to collect primary data. Again, the researcher did a documentary review including different websites to get secondary data which altogether helped in writing this dissertation. In the course of doing so the researcher collected information from three Focused groups through discussion, the Songas Management specifically the Directorate of Corporate Social Responsibility, the beneficiaries of CSR scholarships and the Four District Executive Directors that songs carry its CSR activities within their districts/constituencies.

Throughout the research period, the researcher was able to meet nine (9) respondents and got two copies of questionnaires answered. The findings here are based on the nine (9) respondents who managed to respond to the researcher's questions from the two regions, as well as a perusal of the reports and browsing through the internet. This enabled the researcher to come out with data which helped in assessing the challenges, opportunities that would have been missed. Responses from the stakeholders are also

¹⁸⁹ Retrieved from www.hrzone.com on (April2016). **Ten powerful quotes on CSR from the responsible business summit, 2013.**

presented from two categories namely; the beneficiaries of CSR scholarships and those affected by the companies CSR which were useful in writing this chapter.

This chapter deals with the analysis and presentation of the collected data. It answers Questions Number 2 and 3 of the Research, which sought to explore the challenges that are faced by the company in the implementation of CSR and whether there would have been missed opportunities by the company and the local population had there been no CSR. However, it will have a look to the responses from the questionnaires that were given to District Executive Directors of the districts that are around the project and the beneficiaries of the school scholarships. The significance of the findings offers a basis for the researcher to write the recommendations that may be adopted by companies that are struggling to meet their desired objectives.

5.1 Challenges that are faced by the company in the implementation of CSR

The researcher was able to sit down and have an open ended discussion with the Director of Corporate Social Responsibility of Songas on the challenges that are faced by the company in the implementation of their CSR projects. He mentioned a number of challenges that are worth mentioning

5.1.1 Management of Funds

The company has been experiencing mismanagement of funds of the funded projects, especially when local contractors are hired. This is due to the fact that many contractors take it that the donor is a multinational company and hence refunding is easy since the company has a lot of capital.

5.1.2 Construction works

The company has been experiencing a number of construction based community projects being overpriced by the local engineers and some of the buildings have not been up to standard

5.1.3 Dishonesty and corruption

The company has been experiencing a number of tenders and projects being awarded to local contractors and service suppliers on the basis of corruption (10% kickbacks) and this has resulted in a number of projects being substandard as there is a close conspiracy between the District Executives and the Local Contractors.

5.1.4 District Contribution

The company has been experiencing little support, especially in project inspections as it is taken for granted that since the company funds the projects, the company has enough to spend and refund the projects and hence that is taken as a chance to save money to these districts.

5.1.5 Parents' support

The company has been experiencing a decline in class performance of the sponsored students due to very little support from the sponsored students' parents. This is due to the fact that the parents alienate themselves from their previous supervisory roles and leave most of the load to be carried by the company.

5.1.6 Financial borrowing institutions

The company noticed that the established small scale borrowing from financial centers (VICOBA's), suffer from non-return of finances on a timely basis and some suffer from no return. This is due to the fact that many borrowers from these communities have a perception that the money is a giveaway charity.

5.2 Measures taken to overcome the challenges

After the company had faced number of challenges in the implementation of its CSR, it had come up with a number of solutions to the challenges to make sure that their strategy becomes more successful.

5.2.1 Educational training to the small scale borrowers.

The company managed to avoid the challenge of non return of borrowed money from the “VICOBAs” by facilitating training and providing facilitation to seminars to these borrowers on the proper management of money and profit and avoided giving them direct money as they did previously. As a result, 19 groups were created of which 16 are still doing well due to the training that the company has been facilitating.

5.2.2 On the management of funding projects.

As the company has been experiencing a number of construction works not being up to standard, it has come up with a solution of inspecting these community development construction based projects through hiring independent engineers to carry out an inspection and it has also been using their own engineers to get a report on the quality and standard of the projects.

5.3 Possibility of Missed Opportunities if there was no CSR in the Company.

The company would have missed a number of opportunities had there been no CSR in their company which include the following

5.3.1 Employment of Locals

The locals that have been employed to work in the company and in the projects carried out under the name of “Community Development Projects” wouldn’t have been created and livelihood wouldn’t have been improved.¹⁹⁰

5.3.2 Education improvement

A number of schools wouldn’t have been renovated, constructed and students wouldn’t have been given scholarships and this would have resulted in a decline in education in the communities that were once regarded as marginalized.¹⁹¹

¹⁹⁰ See the Employment Chart of 2013 and 2014, annexure A.2 Graphical Description of community Development Spending at Page 89

5.3.3 Environmental Improvement.

In 2013 and 2014, the groups and projects that were funded by the company to create environmental awareness and conservation wouldn't have been there and as a result, there would probably have been more environmental related cases resulting from degradation, pollution and lack of environmental awareness education.¹⁹²

5.3.4 Health Service Improvement

Has the company not had a CSR policy, the marginalized communities would have had a health crisis that could have resulted to an increase in mother to child deaths. For instance, in 2013, the company donated 10,000\$ to support a "Stand Up for Africa Mothers" campaign, which is managed by AMREF aiming at training 3,000 Tanzanian midwives by 2015 to help making childbirth a joyful and safe experience for Tanzanian women.¹⁹³ 19,600\$ was spent to support construction of the two village dispensaries in Rufiji and Kilwa districts respectively, whereby it is expected that more than 12,000 people will have access to primary health care as a result of these facilities.¹⁹⁴

In Mkuranga District, the company would have missed a number of opportunities had the company lacked CSR policy.¹⁹⁵ Such opportunities are such as in Kitomondo Dispensary; they wouldn't have helped in health care delivery as they would miss the opportunity of supplying medical equipments which in result would have helped the company to build a good corporate image and it would have opened more investment opportunities in terms of land acquisition for investment purposes.

¹⁹¹Songas :2013; Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013

¹⁹² Ibid

¹⁹³ Ibid

¹⁹⁴Songas, (2013). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013.**

¹⁹⁵ In an interview with the District Nursing Officer

It would have also missed an opportunity of interacting with the villagers of Mdimni and help in the construction of a Maternity block, the District hospital wouldn't have has a waiting bay.

5.3.5 Poverty reduction

Had the company lacked a CSR policy, it would have missed the opportunity of lifting up the livelihoods of the people who live in the communities where the company conducts its business.¹⁹⁶ For instance, in 2013, a total of 23,000\$ was spent in offering entrepreneurship and leadership training to 96 representatives from 16 Village Community Banks (VICOBA) groups in Mkuranga district whereby half of the amount was donated as seed capital for each of the 16 groups.¹⁹⁷

5.4 Responses to the questionnaires and the stakeholders

The researcher had conducted a Focused Group Discussion with stakeholders from the ground from the local government level. At that level, the researcher had an opportunity of discussing with District Officials at Mkuranga District in Coast Region. The discussion was conducted between the researcher and The District Nursing Officer, between the researcher and The District Education Officer and between the researcher and The Community Development Officer and also data was collected from the beneficiaries of Songas Scholarships and the Village Ward Councilor.

Mkuranga District was established in 1998 and at that time health service delivery was very minimum, the service delivery was at the dispensary level since it was a newly established district.¹⁹⁸

Dispensaries were very few by that time with only 24 which were owned by the government. Later, the District Hospital was constructed through the TASAF¹⁹⁹ project

¹⁹⁶Songas, (2013). Op cit at Page 12

¹⁹⁷ Ibid

¹⁹⁸Songas, (2013). **Annual Report to the International development Association; Community Development Programmes and Actions to Protect Bio-Diversity-2013** at Page 12

¹⁹⁹Tanzania Social Action Fund. It is an organization set up by the government to help communities living

and it lacked the maternity wing/block. The hospital also lacked hospital equipments and medicines as the government funding had to undergo a lengthy procedure and the procurement procedure was also lengthy and bureaucratic.²⁰⁰

In 2006, Songas stepped in through its CSR policy to fund the project that was initiated by the villagers. There were no medicines and Songas provided medical equipment and drugs to be used for the next three months.²⁰¹

Songas has been utilized very much in terms of health service improvement. Kitomondo Dispensary was constructed by TASAF and Songas stepped in to add more weight to the facility by constructing Maternity Block, Doctor's house and two modern labour rooms. The same was done in Mbezi (Mkuranga) dispensary, they constructed a maternity wing.²⁰²

In Lokanga, they constructed an Outpatient Department (OPD) block and maternity block was also constructed as they were not there before. Mdimni was supplied with medical equipments out of surplus from Kitomondo donations.²⁰³

Out of 30 dispensaries, 6 are funded/ supported by Songas, including the District Hospital. Service delivery in the health sector has been improved as previously, there were 15 to 18 maternal deaths per year. Currently, there are 7 to 8 per year which is a big improvement towards cutting mother to child deaths.²⁰⁴

The District hospital has utilized the opportunity available through Songas CSR policy to improve service delivery to the local population by inviting the company's director

beyond poverty line by supporting them through building schools, hospitals and supporting community based projects.

²⁰⁰In an interview with the District Nursing Officer of Mkuranga District.

²⁰¹ Ibid

²⁰² Ibid

²⁰³ In an interview with the District Nursing Officer of Mkuranga District.

²⁰⁴ Ibid.

for CSR (Community Development Projects Director) in comprehensive planning meeting where Songas gets an opportunity to give what they have to the community.²⁰⁵

The District has its priorities which are²⁰⁶

- Reduction of Child to Mother mortality rate
- Provision of Medical Services
- Delivery in Health Centres
- Health service improvement to the communities which live beyond the poverty line and provision of health services to the old people.

People's priorities/District priorities in terms of Health Care have been improved along the areas where Songas has its investment projects/gas pipeline in Coast Region.²⁰⁷

People's perception and appreciation to how the company invests has been very positive as they see the company as their true friend. Corporate reputation has been build and the company is seen more like a supporter of people's lives.²⁰⁸

The Company is moving forward since it is still contributing to the society. It hasn't collapsed such as other companies as they would have winded up the company due to shortage of funds.²⁰⁹

The researcher also had time to discuss with the District Education Officer where he was also given valuable and relevant data.

Songas has helped a lot in the education sector through paying tuition fees, accommodation and paying for school meals from primary schools to high schools. This

²⁰⁵ Ibid

²⁰⁶ Ibid

²⁰⁷ Ibid

²⁰⁸ In an interview with the District Nursing Officer of Mkuranga District.

²⁰⁹ Ibid

has increased retention in schools and boosting literacy amongst the marginalized communities.²¹⁰

Sponsorships have enabled children from marginalized communities to attend schools as each school within the district has been given funds by Songas to cover for the tuition fees for the marginalized children. The company has also built a girls' hostel at Msonga chini and it has resulted in an increase in the number of girls who attend schools since 2010.²¹¹

In the education sector, the target has been met through sponsorships, construction of hostels, teacher's houses, meals sponsorships, building of science laboratories and renovation of classrooms.²¹²

By Songas practicing CSR and making donations to Mkuranga District, it has helped in building up the reputation among the society and the company is likely to have more investment opportunities especially in regions with marginalized communities.²¹³

It has also helped the company build a good corporate image as it stands out among many other companies that have their businesses in Mkuranga such as Petroleum Companies like Lake Oil, Total and Puma and a subsidiary company of Azam, Azam Cola.²¹⁴

Songas has helped in the improvement of people's lives by opening up opportunities in various sectors such as in schools, improvement of health services, creating employment to the locals and helping entrepreneurs in starting their businesses.²¹⁵

²¹⁰ Ibid

²¹¹ Ibid

²¹² ibid

²¹³ Ibid

²¹⁴ In an interview with the District Education Officer of Mkuranga District.

²¹⁵ In an interview with the Community Development Officer of Mkuranga District

The people of Mkuranga are thankful for the Community development projects that Songas has been implementing through its CSR policy. They see the company as a true friend, it hasn't been selfish in terms of investing and neglecting the challenges that people face and try to use that opportunity to improve their lives. This would not have been possible if the company did not have a CSR policy.²¹⁶

The researcher also made arrangements to discuss with the beneficiaries of the scholarships in Mwanambaya and Njoopeka primary and secondary schools respectively that are also in Mkuranga District. A total of five students were selected as a sample size but the researcher faced challenges in coming into contact with them as they were in exams and the schools that were visited by the researcher had policies of not letting students being interviewed by anyone in terms of their scholarships as many of those that receive scholarships were orphans and such questions would make them feel emotional and hinder cooperation with researchers. Instead, the schools allowed the Academic Masters of respective schools to give out details on behalf of the students.

The beneficiaries are very thankful for the scholarships since they are from poor family backgrounds and wouldn't have afforded in any way the tuition fees since many of them are orphans. The company pays for their school fees, books and uniforms to enable them get better and decrease the number of illiterate children in the district. The kids have been able to feel that they are part of the community as they feel that they have not been stigmatized.²¹⁷

The scholarships are not only confined to orphans but also to children from marginalized families who can't afford their school fees, uniforms and the perception of the people towards the company is really positive.²¹⁸

The researcher also had an opportunity of discussing with the village ward councilors of Njoopeka and Mwanambaya villages that are in Mkuranga District. They gave the

²¹⁶ Ibid

²¹⁷ In an interview with Academic Masters from the respective schools in Mkuranga District.

²¹⁸ Ibid

researcher valuable information that had helped him get data in regards to the role of CSR in achieving the corporate objectives.

The villages have benefited much out of the CSR program that Songas implements. These villages are among the marginalized communities as identified by TASAF with about 36% living beyond the poverty line²¹⁹

The people have a number of priorities which are such as improvement of healthcare, education to the poor families, employment, improvement of infrastructure to mention but a few and out of those, the villagers are thankful to the company as the priorities have been put into consideration when the company commenced the Community Development Projects and this in turn has built a good image to the society and livelihood has been improved.²²⁰

5.5 conclusion

The company has been able to achieve its objectives through the implementation of CSR as they have been able to advertise the brand of the company, hence making the community aware of what the company does and this has helped the company utilize further investment opportunities as it is helping marginalized communities and therefore reducing the burden of the Government.

By applying the simple arithmetic's to analyze the data, the researcher is of the view that indeed CSR is a strategy toward achieving corporate objectives and it is also a method of guaranteeing protection of the investments.

²¹⁹ In an interview with the Village Ward Councillors of Mwanambaya and Njoopeka in Mkuranga District.

²²⁰ Ibid

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

Today, CSR is one of the best strategies that a corporation can follow. For most businesses there are both compelling reasons and statistics that validate the assertion that responsible businesses do better according to traditional financial metrics.²²¹

6.0 Conclusions

This study was conducted to determine and to assess the role of CSR towards achieving the corporate objective. It aimed at examining the challenges, opportunities created to the marginalized and how the company is likely to have more opportunities when it is assisted by the implementation of CSR as a strategy toward meeting the set up objectives.

This research was conducted in line with the four research questions and in the chapters above, they have all been answered. The study was conducted mainly in Mkuranga, Coast Region and in Kilwa where the researcher relied much on Songas reports of 2013 and 2014 to obtain relevant data.

Despite the many efforts of the government to address CSR through legislations, still practically the efforts have led the corporations to massive CSR malpractices in line with law. The research has found that there is a serious loophole in the legal framework that was expected to address CSR.

Multinational Companies such as Songas and those in the Mining sector, have adopted the international standard CSR standard (ISO 2600) and these companies are seen to be far way better in their CSR as compared to many local companies which are not aware of CSR.

²²¹ Jim Owens,(2012). Retrieved from www.gbsense.com.

In an ever globalizing earth, businesses manufacture and create products for the people to buy and not to meet the demands of the people. CSR can be used as a tool to help these businesses create a need for the people to buy their products. Banks such as Barclays, CRDB and telecommunication companies such as Vodacom and Tigo brag about providing and facilitating education on finance, entrepreneurship and loans. These companies primarily deal with small finances (including mobile phone service operators with their mobile banking) therefore creating a confusion on the demarcation between CSR and ordinary business. As banks hold seminars on eligibility for loans and entrepreneurship, they are indirectly creating a need in the society that is filled by the provision of their services. Their CSR is thus a market oriented venture that puts community problems second. To do away with such practices, the state has to come in and enact its role of coordinating and support.

CSR in Tanzania has both opportunities and many challenges for projects and communities involved in CSR projects. In spite of the company's misuse of CSR, there is already so much that companies could cultivate and reap benefits offered by CSR. Communities should seize opportunities and see the companies as their development partners.

6.1 Recommendations

Having found that the legal and institutional framework is weak in regulating CSR and making CSR a requirement, the study recommends the following:

6.1.1 To the Government of Tanzania

That it should adopt the trend of India and South Africa, in making CSR a compulsory for all companies. This would enable the government to have a good business environment, get revenues, promote employment and the most important of all is relieving the burden of the government in assisting poor communities rise out of poverty.

The state too should collaborate with the private sector to bring about community development and not isolate itself. The state can be corrupt and unable to deliver when it acts as a competitor. The state should act in its capacity as an owner who knows its problems and show its willingness to work towards them. The private sector should not be left alone to deal with the challenges creating an impression that it has delegated its duties to a partner who is not well informed and does not know the how of handling the job. The state should be by its people's side through formulating policies that protect its people, and make a thorough review of its policies that favor the private sector at the expense of its people.

6.1.2 To interested Companies

The study recommends that companies wishing to use CSR as its strategy in helping them meet their objectives, to first involve the stakeholders who will be the beneficiaries of CSR. This will make the company able to market their good image, build reputation and getting feedback from the consumers on how they should improve their services and products.

With the corporation's daily increase in the amount of wealth, mostly from its stakeholders, it is only logical to expect tangible results when these corporations decide to allow growth to drop down. In addition, the general public does not have a say in the implementation and execution of some of the projects. The success of CSR lies with the involvement of the people in decision making. When members of the community are involved, it yield positive results as the power to development is given back to the people. The involvement of the people guarantees timely completion and implementation of the projects, relevancy of the projects and deliver maximum results to the targeted population.

Moreover, it is a way of protecting the investments of the companies by guaranteeing their security against vandalism and ensuring that the investments last longer because the society also benefits.

6.1.3 To Law making organ

The study recommends that the organ responsible for enacting laws, first define what is CSR, how it should be and then make it a mandatory as it is the practice in other jurisdictions such as it is in India, Australia, United Kingdom and South Africa.

This would serve the purpose of not giving room for CSR malpractices as shown in this study where some companies used the weakness of the law to justify their malpractices.

The regulation of CSR is still questionable even in the two recently passed acts. The Petroleum Act says nothing on companies that make petrol from bio fuels and hence its CSR provision is questionable to these companies as its enforcement and interpretation of such companies will be ambiguous.

Moreover, there should be a provision in the Act that will go in line with Section 223 of the Act that will provide for the seminar training to the local government authorities on the best standards of CSR. This will ensure that when these authorities prepare CSR guidelines, they will know exactly to line up priorities in accordance to the best acceptable standards.

Second, the Extractive industries Act is nothing else than a good advocacy paperwork that does not mention how CSR should be in such companies. Moreover, one would expect to have regulations that would, among other things, contain a CSR policy draft; but this has never been the case. This is also the case with the Petroleum Act.

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ANNEXTURE A.1: Songas CSR Policy

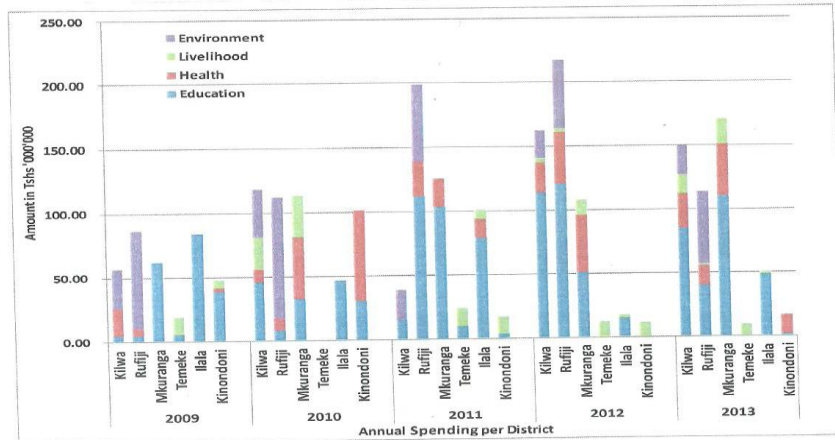
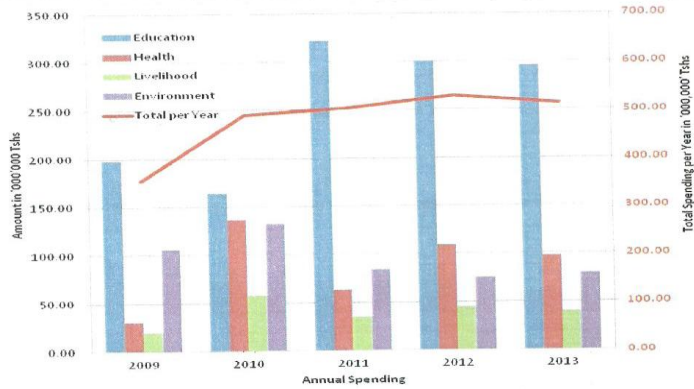


6

Songas Corporate Social Responsibility Policy

1. Goal: To be and to be generally perceived as a good corporate citizen in Tanzania
2. Wanted Practical Outcomes:
 - a. Songas Ltd., is generally recognised as a welcome part of the community in Tanzania;
 - b. Songas' assets are valued and receive a neighbourly oversight from communities from Songo Songo Island (SSI) to Dar es Salaam (DSM);
 - c. Songas employees are welcome and safe when working at any point along the route from SSI to DSM.
3. Means of Achieving the Outcome:
 - a. Involvement in community-based projects:
 - i. Based in villages and local government areas (Districts) through which or alongside which Songas assets lie;
 - ii. The source of these projects is proposals arising from the communities:
 1. That arise from dialogue with principally:
 - a. Village leaders,
 - b. District commissioners,
 - c. District Executive Directors,
 - d. Other stakeholders.
 - iii. The preferred areas of focus for the projects are:
 1. Education,
 2. Health,
 3. Livelihood,
 4. Environmental awareness and support,
 5. Awareness of the Songas assets.
 - iv. These projects have a measurable continuing positive impact on the community.
 - b. Typical Project profile:
 - a. Cost
 - i. No Minimum
 - ii. Typical range \$5-20k, with \$5-10k, most usual
 - iii. Maximum <20% of total budget
 - b. Community contribution – wherever possible a contribution in kind or some form of effort will be sought from the community.
 - c. The project can be implemented within 12-18m.
 - d. A needs assessment by Songas Community Relations Coordinator has demonstrated an ongoing benefit to the community.
 - e. There will be good reason to believe the community will value the project beyond the initial work undertaken by Songas and will take ownership of the project.

ANNEXTURE A.2 Graphical Description of Community Development Spending



March, 2014

ANNEXTURE A.3: Songas Project Agreement

CREDIT NUMBER 3569 TA

Project Agreement

(Songo Songo Gas Development and Power Generation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SONGAS LIMITED

Dated *October 11*, 2001

CREDIT NUMBER 3569 TA

PROJECT AGREEMENT

AGREEMENT, dated *October 11*, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SONGAS LIMITED (Songas).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the United Republic of Tanzania (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred forty-five million seven hundred thousand Special Drawing Rights (SDR 145,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Songas agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Loan Agreement to be entered into between the Borrower and Songas, the proceeds of the credit provided for under the Development Credit Agreement for Part A of the Project will be made available to Songas on the terms and conditions set forth in said Subsidiary Loan Agreement; and

(C) Songas, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Songas declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, gas, power supply and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Songas shall otherwise agree, Songas shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and works required for Part A of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Songas shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part A of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Songas shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Songas, a plan designed to ensure the sustainability of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with Songas on said plan.

Section 2.04. Songas shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, such agreement to be communicated within a reasonable time, Songas shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any material provision thereof, except as specifically contemplated or provided in such Subsidiary Loan Agreement

Section 2.05. (a) Songas shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) Songas shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A of the Project, the accomplishment of the purposes of the Credit, or the performance by Songas of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.06. Songas shall not undertake any material change in the character of its business without the prior approval of the Borrower and the Association.

Section 2.07. Songas shall consult with the Borrower and the Association:

(a) upon receipt of notice under the terms of the debenture relating to the appointment of a receiver, trustee or liquidator of Songas or of all or a substantial part of its assets;

(b) prior to admitting in writing its inability to pay its debts as they mature;

(c) prior to making a general assignment for the benefit of creditors;

(d) upon receipt of notice of being adjudicated a bankrupt or insolvent; and

(e) prior to filing a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or any arrangement with creditors or to take advantage of any insolvency law or an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or corporate action shall be taken by it for the purpose of effecting any of the foregoing.

ARTICLE III

Management and Operations of Songas

Section 3.01. Songas shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and gas and power utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Songas shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and gas and power utility practices.

Section 3.03. Songas shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice, and as required under the Project Contractual Agreements.

ARTICLE IV

Financial Covenants

Section 4.01. (a) Songas shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part A of Project.

(b) Songas shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

SCHEDULE 2

Implementation Program

1. Songas shall: (a) carry out all its obligations under those Project Contractual Agreements, to which it is a party; and (b) seek the Association's approval, prior to amending or waiving any provision of said agreements which, in the opinion of the Association, would materially and adversely affect the implementation of Part A of the Project.

2. Except as the Association shall otherwise agree, Songas shall, in carrying out Part A of the Project, apply the guidelines and procedures specified in the Songas Project Implementation Plan and shall not amend the Songas Project Implementation Plan or waive any provision thereof, which in the opinion of the Association will materially or adversely affect the implementation of Part A of the Project.

3. Songas shall: (a) not later than November 30, 2002, participate in the midterm review of the Project referred to in paragraph 7 (a) of Schedule 4 to the Development Credit Agreement; (b) furnish to the Association, at least thirty days prior to such review, a report, in scope and detail satisfactory to the Association, describing the status of the progress regarding the items referred to in said paragraph 7 (a); and (c) promptly thereafter implement such actions that are required on its part in accordance with the action plan referred to in paragraph 7 (c) of Schedule 4 to the Development Credit Agreement.

4. Songas shall carry out the actions required on its part under the ESMP, in accordance with the action plan and timetable contained therein.

5. Songas shall by March 31 in each year issue an annual report, in form and substance satisfactory to the Association, on its community development programs and actions to protect bio-diversity in the Borrower's territory.

6. Songas shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 3 to

this Agreement, the carrying out of Part A of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, each quarter, a report on the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Part A of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part A of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31 in each year, or such later date as the Association shall request, commencing March 31, 2002, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part A of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

ANNEXTURE B

THESE QUESTIONS ARE INTENDED TO ASSIST THE RESEARCHER TO COLLECT DATA FROM THE RESPONDENTS. THE SAME QUESTIONS WERE ALSO USED IN FOCUSED GROUP DISCUSSION AS GUIDING QUESTIONS TOWARDS WRITING THIS DISSERTATION.

TITLE: ACHIEVING CORPORATE OBJECTIVES; WHAT IS THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY, A CASE STUDY OF SONGAS

Questionnaire no.....

CSR Scholarship beneficiaries

A. Respondent’s Background

2. Place of birth: Ward Village
Municipal Region.....

3. Age of Respondent (years)

- (a) 11-20
- (b) 21-30
- (c) 31-40
- (d) 41 and above

4. Gender

- (a) Male
- (b) Female

5. How long have you lived in this village?

- (a) Less than a year
- (b) 2-10 years
- (c) 10-20 years
- (d) 20-30 years
- (e) 30- 40 years
- (f) 40 and above

6. What is the highest level of formal education you have attained?

- (a) No formal school
- (b) Primary
- (c) Secondary (Form 1-4)
- (d) Collage (after Form 4)
- (e) Collage (after Form 6)
- (f) University
- (g) Vocational/ Adult education classes

B. Respondents view of the CSR that Songas implements in the community

7. How far have you been satisfied with the Sponsorship that Songas has offered to you?

- (a) Satisfied
- (b) Very Satisfied
- (c) Not Satisfied

8. How do you rate the Corporate Social Responsibility policy of the company after receiving the scholarship?

- (a) Good
- (b) Very good
- (c) Excellent

9. In your village, how many of your friends are beneficiaries of the school scholarship offered by Songas?

- (a) 5
- (b) 10
- (c) 15
- (d) 20
- (e) 25
- (f) I do not know the exact number but all of my friends are going to school/collage/university

10. What level of education do you expect to reach with the available Scholarship?

- (a) Grade 7
- (b) Form 4
- (c) Form 6
- (d) Vocational Training
- (e) Diploma
- (f) University Degree
- (g) Masters
- (h) PhD

ANNEXTURE D

Key Informants Interview Guide Questions

Questionnaire No.

To:

Village Chairman

Village Ward Councillors

1. Name
- Age
- Sex

2. Level of Education

3. Occupation

4. For how long have you been in the village
5. For how long have you served in your current capacity
6. What are the people's priorities? Rank them according to their urgency
 - (a)
 - (b)
 - (c)
 - (d)
 - (e)
 - (f)

7. Were those priorities achieved?
 - (a) Yes
 - (b) No.....

8. How long has Songas been in your area

9. Are you aware of the Corporate Social Responsibility that the company implements in your area?
 - (a) Yes.....
 - (b) No.....

10. How far has the implementation of CSR in your area been in line with the peoples priorities?

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11. Was the village council involved in identifying the areas which Songas would invest through their CSR policy?

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12. What is the view of the people about the company since it started implementing its CSR policy?

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13. Has livelihood of the people been made better since the company started implementing

CSR?.....
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14. How do you rate Songas CSR strategy and how it is being implemented?

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ANNEXTURE E
Key Informants Interview Guide Questions

Questionnaire No.

To:

Songas Management

1. Name
Age
Sex

2. Level of Education

3. Occupation

4. For how long have you been a part of the management of the company?
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5. How long has the company been in Tanzania?

6. What are the Songas objectives?
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