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CORPORATE SOCIAL RESPONSIBILITY (CSR) GUIDELINES FOR PRIVATE SECTOR ENGAGEMENT IN DISASTER RISK REDUCTION AND MANAGEMENT

FINAL REPORT

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EXECUTIVE SUMMARY

The main purpose of this report is two-fold. The first purpose is to offer guidelines for the government – Ministry of Industry, Commerce and Supplies (MoICS) in particular – so as to facilitate the process of developing “Corporate Social Responsibility (CSR) Standard Operating Procedure” in line with the requirements of mandatory CSR spending indicated in the Industrial Enterprise Act, 2076 and Industrial Enterprise Rules, 2078. The next purpose is to suggest guidelines for the Nepalese private sector, particularly the industrial enterprises, in order to facilitate the institutionalization of CSR practices in their enterprises and ensure optimum utilization of their CSR fund. Additionally, it also attempts to suggest some CSR agenda for the Nepalese private sector firms vis-à-vis disaster risk reduction and management (DRRM). To this end, review of relevant literature, interviews with key informants from the private and the government sectors, insights obtained from an international symposium on DRRM held in Kathmandu, and introspection of the author on the subject matter have been used.

Presented below is the excerpts of the major points included in the proposed guidelines on ‘CSR standard operating procedure (CSR-SOP)’ for the government.

- In principle, CSR should be regarded as legal, ethical, stakeholder, and environmental responsibilities of the firm beyond narrow conceptualization of community philanthropy. However, for the purpose of mandatory spending on CSR, the various areas such as DRRM; community health, education, and infrastructures; environmental protection etc. should be considered as per the themes included in the Industrial Enterprise Rules, 2078. Moreover, the allocation and spending of CSR budget should also meet the various requirements as stipulated.
- The channels for implementing CSR programs and projects can be the firm itself or firm’s CSR foundation or external implementing partner/agency.
- The industrial enterprises with praiseworthy CSR practices shall be duly recognized and rewarded with “CSR Star-Rated Certificates”. Besides the amount spent on CSR activities, various aspects such as CSR governance and institutional arrangements, CSR awareness programs, social audit and public hearing, CSR planning and reporting, coordination and collaboration, and effectiveness of CSR programs shall be considered for evaluating firm’s CSR practices.

Likewise, a summary of the guidelines suggested for the Nepalese private sector firms’ better engagement in CSR is given below.

- First of all, for the purpose of good CSR governance, every enterprise should form a CSR committee with the responsibility of formulating CSR policy and plans which shall be approved by the Board.

- The process of formulating CSR policy and plans should be guided by an objective framework including the steps like conducting CSR assessment, formulating CSR vision and mission, identifying CSR strategy and thrust areas, and designing specific CSR projects and action plans.
- There should be certain systems in place for implementing, monitoring, evaluation, communication, and reporting firm's CSR practices as suggested.

Additionally, this guideline has also included the some important agenda for the Nepalese private sector firms' CSR vis-à-vis DRRM in order to create a win-win-win situation among the business, society, and the government. It also includes some exemplary CSR case studies particularly in the area of DRRM.

In a nutshell, this guideline suggests the essentials of CSR-SOP for the government as well as the framework for the Nepalese private sector's better engagement in CSR including DRRM issues for the benefit of all concerned. It also indicates the future direction for promoting CSR in Nepal.

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LIST OF ACRONYMS

ADB:	Asian Development Bank
ADPC:	Asian Disaster Preparedness Center
A-PAD:	Asia Pacific Alliance for Disaster Management
APP:	Asian Preparedness Partnership
BFI:	Banking and Financial Institutions
BOD:	Board of Directors
BPC:	Butwal Power Company
BSG:	Business, Society and the Government
CSOs:	Civil Society Organizations
CSR:	Corporate Social Responsibility
CSV:	Creating Shared Value
DCIM:	Data Centre Infrastructure Management
DCSI:	Department of Cottage and Small Industries
DoI:	Department of Industry
DRF:	Disaster Risk Financing
DRRM:	Disaster Risk Reduction and Management
e-HRM:	Electronic Human Resource Management
EIA:	Environmental Impact Assessment
ESRM:	Environmental and social Risk Management
FMCG:	Fast Moving Consumer Goods
FNCCI:	Federation of Nepalese Chamber of Commerce and Industry
FP:	Focal Person
FY:	Fiscal Year
GoN:	Government of Nepal
GRI:	Global Reporting Initiative
HIV-AIDS:	Human Immune Virus – Acquired Immune Deficiency Syndrome
HRM:	Human Resource Management
IEA:	Industrial Enterprise Act

IEE:	Initial Environmental Examination
IER:	Industrial Enterprise Rules
INGOs:	International Non-Governmental Organizations
IP:	Implementation Partner
ISO:	International Organization for Standardization
LED:	Light Emitting Diode
M & E:	Monitoring and Evaluation
MoHA:	Ministry of Home Affairs
MoICS:	Ministry of Industry, Commerce and Supplies
NBI:	National Business Initiative
NDRRMA:	National Disaster Risk Reduction and Management Authority
NGOs:	Non-Governmental Organizations
NPR:	Nepali Rupees
NRB:	Nepal Rastra Bank
OH&S:	Occupational Health and Safety
PPE:	Personal Protective Equipment
QWL:	Quality of Life
SA:	Social Accountability
SDGs:	Sustainable Development Goals
SEBON:	Security Board of Nepal
SMEs:	Small and Medium Enterprises
SOP:	Standard Operating Procedure
SSS:	Sipradian Sahayata Sanstha
UK:	United Kingdom
UN:	United Nations
US:	United States
VPN:	Virtual Private Network
WEF:	World Economic Forum

1.1 Context

Nepal, with over 29.19 million population, has undergone major political, economic and social transformation processes over the last three decades. But it is still among the least developed countries. The governments of countries like Nepal generally lack adequate resources in solving myriads of socio-economic and environmental problems or issues. Disaster risk is one of the critical issues Nepal is facing since long time. It continues to face the adverse effects of natural and non-natural disasters. Thus raised the question of whose responsibility is to do what in order to have a safe, prosperous, and equitable society. Is the state the only responsible for the socio-economic well-being of the citizens? Where do we draw the line between state's and other actors' responsibilities? Can business sector be a missing link in achieving country's cherished mission of socio-economic transformation? Is the promotion of corporate social responsibility a right way to move forward? If yes, how is it possible?

Among other things, promoting corporate social responsibility (CSR) can be a right way to create a win-win-win situation between business, society and the government. If different actors of society including businesses combine their resources and expertise, they can better address the pressing social, economic, and environmental issues including disaster risks.

1.2 Rationale of Developing CSR Guidelines

The Nepalese private sector has always been one of the most important actors in assisting the state and the people in difficult times including disasters. For instance, after the 2015 earthquake in Nepal, 270 private sector institutions contributed around NPR 847 million in the Prime Minister Relief Fund alone and many businesses provided relief materials in the form of relief packages (Bajracharya, 2016). The Nepalese private sector's contribution to social causes, including in the disaster reduction and post-disaster efforts, is substantially increasing in the recent years mainly because of the corporate social responsibility (CSR) provisions made in the Industrial Enterprise Act, 2020 and Nepal Rastra Bank's Unified Directives, 2021.

According to the NRB's recent report, Nepalese BFIs spent NPR 1.28 billion in CSR activities in FY 2019/20 (Nepal Rastra Bank, 2021). Industrial enterprises and other companies are also spending billions of rupees in the guise of CSR every year. However, spending on CSR activities is mostly ad-hoc and CSR budgets have been scattered across several issues with a very small portion in disaster risk reduction and management (DRRM) activities. Hence, there is high chances of misalignment of valuable corporate resources and the impact has been mostly diluted. Most industrial enterprises, BFIs, and other private sector companies still lack proper knowledge on how to design and implement CSR activities and, then, report them to

meet regulatory requirements as well as to create value for business and society simultaneously. Furthermore, Ministry of Industry, Commerce and Supplies (MoICS) Nepal Rastra Bank, and other government bodies have not yet come up with detailed standard operating procedures for streamlining Nepalese private sector's CSR fund towards achieving government's socio-economic and environmental goals.

Against this backdrop, the private sector's engagement in CSR (including DRRM activities) with some structured guidelines could be largely beneficial to the government, vulnerable society, and the business community itself. A national guideline that streamlines a dedicated allocation of CSR funds in DRRM and other CSR activities which can cater the needs of: (i) meeting regulatory requirements properly, (ii) minimizing the climatic, disaster and other business risks, and (iii) creating shared value for business, society and the government (BSG) – is felt missing largely.

1.3 Objectives

The main objective of this study is to develop pragmatic guidelines on CSR that facilitate the optimum utilization of CSR fund in different areas of national priority including in the DRRM related activities to make Nepal a socially just, disaster-resilient, and to sustain development gains. To this end, the specific objectives of the study are as follows:

- To propose some guidelines for the government and policy makers that can be helpful in developing 'CSR standard operating procedure' in line with the requirements of Industrial Enterprise Rules, 2078 and other relevant legal provisions so as to secure private sector's better engagement in CSR including DRRM related activities.
- To develop CSR planning, implementation and reporting guidelines for the Nepalese private sector firms, particularly the industrial enterprises, in order to facilitate the institutionalization of CSR practices in Nepal and ensure optimum utilization of their CSR fund.
- To suggest the CSR agenda vis-à-vis DRRM for industrial enterprises and BFIs within the scope of legal/regulatory provisions so as to create shared value for business, society and the government.

1.4 Methodology

The methodology of this study mainly comprises a mix of desk review and face-to-face interviews and meetings with key informants from the government and the Nepalese private sector. The desk review comprises – review of legal provisions on CSR in Nepal, review of international standards and codes relevant to CSR, review of legal provisions and institutional mechanisms vis-à-vis DRRM in Nepal, and review of DRRM related CSR best practices in Nepal and other parts of the world.

Stakeholder analysis has also been done through literature review as well as interviews with key informants. The stakeholder analysis consists of the identification of key stakeholders of the Nepalese private sector, review their interests, prioritization of their interests and, finally, conceiving the likely responses to their interests. While identifying the private sector's priority agenda vis-à-vis DRRM (in line with the third objective of the study), ideas put forwarded by the Nepalese private sector leaders during first international symposium entitled *Establishment of Multi-Sectoral Platform for DRRM in Nepal* in July 2022 have also been considered.

Since this is a generic guideline to facilitate the Nepalese government and the Nepalese private sector concerning CSR (including DRRM issues), accumulated experiences, academic insights, and judgment of the consultant in the given field have also been used.

1.5 Organization of the Report

This report contains a prefatory part, a main body, and a supplementary part. Prefatory part contains cover page, executive summary, table of contents, list of tables list of figures, list of exhibits, and list of abbreviations. Likewise, the main body is organized in seven units. A brief overview of each chapter is given below.

The first unit contains the context, rationale and objectives of the study and the methodology adopted in preparing the study report. The second unit is devoted in the review of relevant literature and the third unit mainly deals with the stakeholder analysis of the Nepalese private sector firms. Unit two and unit three together form a base for developing the guidelines on CSR for the Nepalese government as well as the private sector.

Unit four and unit five are the crux of this report. Unit four mainly deals with the guidelines aimed at facilitating the government's policy making process, developing the long awaited CSR standard operating procedure in particular. Likewise, unit five comprises the guidelines on CSR planning, implementation, monitoring & evaluation, and reporting for the Nepalese private sector firms.

Since DRRM is one of the priority issues of CSR in the Nepalese context, unit six delineates the major agenda for the Nepalese private sector engagement in CSR vis-à-vis DRRM. Lastly, unit seven concludes the report with summary, conclusion, implications and future direction.

2. REVIEW OF LITERATURE

2.1 A Brief Review of Theoretical Perspectives on Corporate Social Responsibility (CSR)

The idea of corporate social responsibility (CSR) is essentially about the role of business in society. But, a universally agreed-upon definition of CSR has not yet been developed. There are varieties of conceptualizations regarding the responsibilities of business towards society. Among various, some of the widely discussed conceptualizations of CSR are: constrained profit making approach, philanthropic approach, stakeholder approach, Carroll's CSR pyramid, triple bottom line approach, creating shared value approach, and political CSR.

Constrained profit making approach, aka shareholder approach, argues that there is one and only one responsibility of business – to maximize profit while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom (Friedman, 1970). In contrary, philanthropic approach asserts that companies should contribute to social causes in cash, kind or whatever is necessary to promote society's well-being (Koch, 1979). Stakeholder approach has relatively broader conceptualization of CSR. According to this approach, it is the responsibility of business to protect and promote the prudent interests of different internal as well as external stakeholders of business– not just shareholders (Freeman, 1984). Likewise, Carroll's CSR pyramid illustrates four basic responsibilities of business, namely, economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities (Carroll, 1991). Triple bottom line approach explicitly recognizes environmental responsibility besides economic prosperity and social justice (Elkington, 1997).

Creating shared value (CSV) approach and political CSR are relatively new paradigms of CSR. CSV approach emphasizes on the application of innovative approaches that simultaneously benefits business and society (Porter & Kramer, 2011). Finally, political CSR suggests companies to engage in public deliberations, collective decisions, and the provision of public goods or restriction of public bads in cases where public authorities are unable or unwilling to fulfil their role (Scherer et al., 2016).

Despite spectrum of viewpoints, the central idea of CSR is to do business in line with the values and expectations of society beyond profit maximization. In a nutshell, CSR may be defined as the obligation of business to obey the law, run the business in an ethical manner, fulfil the prudent interests of different stakeholders without compromising the sustainability of business as well as the environment, and actively engage in the provisioning of public goods whenever necessary (Chapagain, 2020).

Based on the synthesis of various literature on CSR, spectrum of practical approaches starting from altruistic CSR to the transformational CSR can be

suggested for Nepalese industrial enterprises, BFIs, and other businesses to take CSR agenda forward.

- Altruistic CSR: Be legal, ethical, and profitable; *give back to society after making profit* (episodic CSR activities such as community CSR projects etc.)
- Integrated CSR: Be legal, ethical and profitable; *integrate responsible aspirations* into strategy and all value chain/ business activities.
- Creating Shared Value (CSV): Be legal and ethical; *create shared value for both business and its stakeholders through innovative CSR practices.*
- Transformational CSR: Be legal, ethical and profitable; transform business and society *through CSV; cross sector collaboration; and proactively shaping political agenda* to fulfil development & governance gaps.

2.2 A Brief History of CSR in Nepal

The idea of social responsibility in the Nepalese context can be traced back from centuries ago. One is the traditional *Guthi* system. The *Guthi* system is a trust, whereby land is donated to this trust and the income generated is utilized to undertake various works within the community such as restoration of temples, *patis* (rest houses), *dhunge dharas* (stone water spouts) and so on. Likewise, businesspersons used to contribute certain amount of profits to charitable activities such as construction of *dharmasala*, a temple, or a school. The main driver of such practices was religious belief of going to *swarga* (the heaven) after one's death and getting *ashirwad* (appreciation) from large mass of the people (Legal, 2006).

Some well-known corporate houses such as Jyoti Group, Chaudhary Group, Khetan Group etc. and joint venture commercial banks begun community related philanthropic CSR since last few decades (Fair Trade Group Nepal and Action Aid Nepal, 2003). But, the tradition of practicing modern form of CSR beyond philanthropic activities is not really new in Nepal. It took momentum only after 2000s. In 2005, National Business Initiative (NBI) was established with the main aim of securing peace and prosperity in the country particularly through promoting responsible business practices in Nepal. Since then it has conducted dozens of awareness and education sessions on CSR, run a number of CSR trainings for corporate managers, published baseline survey on perceptions of ethical business practices in Nepal and responsible business guide for executives, published a number of articles on CSR, declared 'Business Ethics Code of Conduct' endorsed by over 100 companies, organized responsible business summits and so on (Jyoti, 2016). With the enforcement of legal provisions for mandatory spending on CSR for certain types of industrial enterprises and BFIs in 2016, both the awareness and engagement in CSR activities has substantially increased in Nepal.

2.3 Review of Corporate Social Responsibility (CSR) Related Legal Provisions in Nepal

Though there is no separate corporate social responsibility (CSR) law in Nepal yet, various legal provisions have been made in different laws relating to CSR.

Broadly, legal and regulatory provisions vis-à-vis CSR in Nepal can be divided into two: i) Legal provisions governing responsible earning and ii) Legal provisions governing mandatory spending on CSR. **However, there are some grey areas.** Some provisions fall under the scope of responsible earning but, at the same time, companies may consider expenses incurred in such activities for the purpose of mandatory CSR spending. For example, the Disaster Risk Reduction and Management Act, 2074 mandates business establishments to comply with certain requirements in relation to DRRM while also Industrial Enterprise Rules, 2022 (Article 43) considers activities relating to disaster management as one of the main areas for mandatory spending on CSR.

2.3.1 Legal Provisions Governing Responsible Earning

Responsible earning entails proper obedience to all applicable laws and regulations, doing morally right things even when no one compels, duly following governance guidelines, fulfilling prudent needs of all stakeholders, protecting the environment and so on. There are several legal provisions that govern business behavior to be ethical and responsible while undertaking day-to-day activities in an attempt to earn profit. Some of the existing legal provisions that govern the way in which business (along with other entities) should behave in society while running its activities are:

- The Constitution of Nepal, 2072 (2015);
- Companies Act, 2063 (2006, with amendment in 2017);
- The Environment Protection Act, 2076 (2019);
- The Environmental Protection Rules, 2077 (2020);
- The Labor Act, 2074 (2017);
- Disaster Risk Reduction and Management Act, 2074 (2017);
- Disaster Risk Reduction and Management Rules, 2076 (2019);
- The Consumer Protection Act, 2075 (2018);
- Guideline on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions 2075 (2018)
- National Climate Change Policy, 2076 (2019);
- The Income Tax Act, 2058 (2002, with amendment in 2020);
- Industrial Enterprise Act, 2077 (2020); and
- Industrial Enterprise Rules, 2078 (2022).

2.3.2 Legal Provisions Governing Mandatory Spending on CSR

Although spending a part of company's profit on CSR related activities is voluntary in many countries, various legal provisions have made it mandatory in the Nepalese

context. Industrial Enterprise Act 2020 (2076), Industrial Enterprise Rules 2022, and Nepal Rastra Bank directives and circulars issued at different times have made explicit provisions on mandatory spending on CSR activities after making a profit by certain types of enterprises and all types of Banking and Financial Institutions (BFIs). Most recently, Security Board of Nepal (SEBON) has also made provision about the mandatory spending of at least 1% of annual net profit on CSR activities for Central Depository Company, credit rating agencies, and security brokerage companies.

Industrial Enterprise Act, 2076 (2020) and Industrial Enterprise Rules, 2078 (2022)

Article 54 of the Industrial Enterprise Act (IEA), 2020 explicitly points out about CSR. The Act makes it mandatory to allocate and spend at least 1% of the annual net profit for CSR activities (the "CSR Requirement"). The *CSR Requirement* is applicable to all (i) medium industries; i.e., industries having fixed assets exceeding rupees 100 million but less than rupees 250 million; and large industries; having fixed assets exceeding rupees 250 million and (ii) cottage and small industries having annual turnover more than rupees 150 million.

The report of the utilization of the fund allocated for CSR is required to submit to the government authority in which the entity has been registered, within six months from the expiry of the specified fiscal year. Similarly, no income tax will be levied for the amount of money spent under CSR Requirement. The fund created for CSR activities is to be utilized on the basis of annual plans and programs but in the sectors that are prescribed under the Act. There is also a provision of penalty for companies who are not able to comply with the stipulated requirements in the Act. If any enterprise fails to fulfil the CSR Requirement, it may be fined with 1.5% of annual net profit. Moreover, if any enterprise fails to fulfil the CSR Requirement in the subsequent fiscal year(s), it will be fined with additional 0.5% of annual net profit every year.

Likewise, according to provisions made in Industrial Enterprise Rules (IER), 2022, medium and large enterprises should spend the CSR fund in the areas of natural disaster prevention, control and rescue; community health; protection of arts, culture & heritage; skill-building & wealth-generating programs for vulnerable and marginalized community people; community education; environmental initiatives including pollution control, tree plantation, alternative energy, and protection of water resources; community projects including water supply, roads, sewerage, community health posts, construction of parks etc., and so on. To be noted, however, 50% of the total amount allocated for CSR should be spent in industry-affected area and it should be spent in coordination with the concerned local level (government) authority.

Nepal Rastra Bank's Unified Directives, 2021 (2078)

Nepal Rastra Bank (NRB)'s Unified Directives, 2021 has mentioned about the mandatory spending on CSR by banks and financial institutions (BFIs). According to

Directive number 6, Article 16, all BFIs are required to allocate at least 1% of their annual net profit for CSR activities and they are required to spend this amount on CSR activities in the next fiscal year. BFIs can spend the allocated CSR fund in the following areas:

- Social development projects: Direct and indirect expenses on education, health, natural disaster management, environment protection, infrastructure development in remote areas, income generation for disadvantaged people, financial literacy, consumer protection programs etc.
- Financial literacy programs: Five percent of the total CSR fund should be spent on financial literacy programs.
- Direct donations: Direct donations to extremely poor people for their education and health or the direct donations to institutions working in this field for building their physical infrastructure, purchasing equipment, and office operations.
- Sustainable Development Goals (SDGs): Direct and indirect expenses for supporting the achievement of 17 SDGs.
- Expenses relating to the prevention and cure of employees from the outbreak of epidemic/pandemic like COVID-19.
- Expenses relating to the management of Child Day Care Centre for their own employees.
- Donations provided or expenses incurred to orphanage, kindergarten, and old-age home (not-for-profit), etc.

However, BFIs are required to spend the CSR fund in more than one area and geographic regions in which they operate. Moreover, no expenses can be made that could provide individual and political advantage to the members of BOD. BFIs are also required to prepare a standard operating procedure (SOP) for this purpose and the expenses incurred in such activities should be disclosed in their financial statements.

Securities Board of Nepal (SEBON) Circular, 2021 (2077)

Securities Board of Nepal (SEBON) has made a provision for the central depository companies, credit rating agencies, securities brokers and securities dealers to set aside at least one percent of their total profit for CSR activities.

The board has directed that the amount allocated for CSR should be spent especially on investor education and raising awareness. Likewise, while spending on CSR, the expenditure should be distributed as per the need in the provinces.

2.4 Review of International Standards and National Business Codes of Conduct Governing CSR

Although the legal and regulatory provisions for mandatory spending on CSR govern certain types of industrial enterprises and BFIs in Nepal, such mandatory provisions

do not yet cover majority of the Nepalese private sector companies. Against this backdrop, such companies, in addition to those who are covered by law for mandatory spending on CSR, can follow any one or more of the international standards:

- Certification-based standards (such as SA 8000),
- Process-based voluntary guidelines (such as ISO 2600),
- Principle-based standards (such as UN Global Compact), and
- Reporting-based standards (such as GRI G4).

Besides, firms may also follow some codes or guidelines developed in Nepal itself, such as FNCCI's Business Code of Conduct, 2061 and NBI's Business Code of Conduct Concepts, 2070. Some of the widely used standards and guidelines that are relevant to CSR (among others) are given below:

- ISO 14001: 2015;
- ISO 45001:2018;
- SA 8000;
- ISO 26000 Social Responsibility Guidance Standard;
- UN Global Compact;
- GRI G4 Reporting Guidelines;
- FNCCI's Business Code of Conduct, 2061;
- NBI's Business Code of Conduct Concepts, 2070, etc.

2.5 Review of Disaster Risk Reduction and Management Related Legal Provisions in Nepal

The current state of disaster risk management in Nepal is mainly guided by Constitution of Nepal, 2072 and Disaster Risk Reduction and Management (DRRM) Act, 2074. The DRRM Act established the National Disaster Risk Reduction and Management Authority (NDRRMA) to coordinate and implement domestic DRRM-related functions. The constitution stipulates that disaster preparedness and response under the sole jurisdiction of local governments and the common jurisdictions of the federal, provincial, and local governments. Sharing authority, responsibility and accountability needs to be based on a solid foundation, and the DRRM National Council has decided to establish this based on the nature, intensity and scale of the disaster. DRRM Act, 2074 establishes formal structure, roles, and responsibilities at the federal, state, and local levels. At the federal level, there are DRRM National Council, Executive Committee, and National Disaster Risk Reduction and Management Authority (NDRRMA). The law also stipulates the structure of each local government (disaster management committee) and DRRM function.

Local governments are also guided by the Local Government Operation Act, 2074 (2017 AD), which establishes disaster management structures and functions for each local government and its county. DRRM Order 2076 details the functioning of

various government decision-making mechanisms consistent with the provisions of DRRM Act, 2074. The Government of Nepal (GoN) has approved the National DRRM Policy, 2075 and National Strategic Action Plan, 2018-2030 on Disaster Risk Mitigation. It provides a comprehensive planning framework for disaster risk mitigation and management in Nepal and identifies various priorities.

From time to time, the Government of Nepal has developed various legal and institutional arrangements to plan and manage the Disaster Risk Reduction and Management activities, some of them are:

- Natural Calamity (Relief) Act, 1982;
- Soil and Watershed Conservation Act, 1982;
- Water Resource Act, 1992;
- The Forest Act, 1993;
- Local Self Governance Act, 1998;
- Building Act, 1998;
- Local Self Governance Act, 1999;
- The National Action Plan for Disaster Risk Management, 1996;
- National Building Code, 2004;
- The Prime Minister Relief Fund Regulation, 2007;
- National Strategy for Disaster Risk Management, 2009 and 2018;
- Land Use Policy, 2012;
- Constitution of Nepal, 2015;
- National Disaster Response Framework, 2013;
- Constitution of Nepal, 2015;
- Water Induced Disaster Management Policy, 2015;
- National Reconstruction and Rehabilitation Policy, 2015;
- Sendai Framework (2015-2030);
- Urban Planning and Building Construction, 2016;
- National Urban Development Strategy, 2016;
- Local Government Operation Act, 2017;
- Disaster Risk Reduction and Management Act, 2017;
- The National Disaster Risk Reduction Policy, 2018;
- National Disaster Risk Reduction Strategic Action Plan, 2018-2030;
- Disaster Risk Reduction and Management Rules, 2019;
- National Climate Change Policy, 2019;
- The Environment Protection Act, 2020; and so on.

2.6 Synthesis of Existing Legal Provisions and Standards on CSR and DRRM

Despite some improvements in the recent government acts, rules and directives from the previous ones, there are still some inadequacies in the existing legal provisions and standards vis-à-vis CSR and DRRM in Nepal. This indicates the need for improvement in the existing legal provisions and/or development and enforcement of some standard operating procedures (SOPs) with more detail and clarity. Here are some gaps and rooms for improvement identified through the review of literature vis-à-vis CSR and DRRM in Nepal.

- The existing literature suggest several broad perspectives on CSR but we are still following the narrow and primitive approach to CSR. This is reflected in our existing acts, regulations and directives. Our legal and regulatory provisions stilly largely focus on philanthropic or altruistic CSR and ignore wider perspectives such as creating shared value (CSV) and transformational CSR.
- The DRRM cycle broadly includes mitigation, preparedness, response and recovery. But, our existing legal provision vis-à-vis mandatory spending on CSR, for example Industrial Enterprise Rules, 2078, specifies only disaster prevention, control and relief. It's not clear whether prevention includes both mitigation and preparedness measures. Likewise, it's not clear whether relief corresponds to emergency relief or goes beyond it to the reconstruction and full resumption of services. This may be explained with more clarity in the forthcoming Standard Operating Procedures. Moreover, certain percentage of CSR expenses may made mandatory to allocate for DRRM.
- Since the development cannot be sustainable unless it is viewed from disaster management perspective, CSR expenses on social development projects such as community school building projects, should consider disaster resiliency perspective. Mandatory provisions can be made in the CSR-SOP or in any other relevant guidelines.
- The National Disaster Risk Reduction and Management Authority (NDRRMA), under Ministry of Home Affairs, is the highest level authority to look after DRRM issues in Nepal but the private sector may be reluctant to genuinely and actively engage under this umbrella particularly in emergency situations because of some bureaucratic red tape and other limitations.
- The Industrial Enterprise Act (IEA), 2076 (Article 54.1) specifies to spend 1% of annual net profit on CSR activities by all large and medium-sized industries as well as small & cottage industries having annual sales turnover over NPR 150 million. Here, it is noteworthy to mention that annual sales turnover may fluctuate from year to year and hence it creates problem in the institutionalization of CSR in such companies. Therefore, some amendments may be appropriate so as to ensure the institutionalization of CSR regardless the fluctuation in business volume.

- Similarly, IEA, 2076 (Article 43.7) indicates about the penalty provisions. It mentions that if some enterprises are unable to spend on CSR activities as per the requirement, they may be fined with 1.5% of the annual net profit. There are lots of impractical provisions, confusions and lack of clarity. First, penalty of 1.5% of annual net profit is a very huge penalty (150% of the principal amount) which seems impractical. Second, what if a part of the total requirement (say, only 80%) is spent? Penalty provision should be proportionate to the unspent amount, not on the basis of annual net profit. Third, what if the CSR budget could not be spent due to some uncontrollable factors? Fourth, “may be fined” indicates the discretion of the regulating body, which may invite the governance problems.
- The IEA, 2076 and IER, 2078 do not talk anything about whether CSR fund can be spent through company’s own “foundation” or through some “common foundation” created by several companies or through some NGOs/charities.
- The IER, 2078 (Article 43.3) highlights that 50% of the total budget allocated for CSR should be spent in the industry-affected area. But, definition of industry-affected area is not clearly spelled out. It should be made clear in order to avoid potential confusion and conflict.
- The IER, 2078 (Article 43.5) indicates that industrial enterprises cannot spend CSR budget that directly benefits the company or the individuals who are involved in the company affairs. But, the areas which can create shared value for the company and its stakeholders simultaneously can be kept open.
- Nepal Rastra Bank’s Unified Directives, 2078 (Directive number 6, Article 16) provides relatively broader scope for CSR spending but it highlights that such expenses should not be aimed at promoting the company’s brand. But, it is to be noted that, if CSR activities promote a firm’s brand while at the same time it creates value for society, there is nothing wrong in promoting the company’s brand. For example, if a bank pledges to plant a tree with the opening of every green saving account, there is nothing wrong. Likewise, if a bank runs a financial literacy program and general people are people protected from the exploitation of indigenous lenders, there is nothing wrong that it promotes the brand as well. However, it can be limited to certain reasonable percentage of the “total CSR spending” or “minimum CSR requirement”.
- Some CSR reporting framework should also be suggested for clarity, consistency and comparability.
- There is absence of the provisions of reward and recognition in the existing CSR and DRRM laws. It may be incorporated in the forthcoming SOP or any other guidelines/directives.
- Finally, if there are any inconsistencies CSR laws, tax laws and other relevant laws, such inconsistencies must be avoided.

Those who can be benefitted by the activities of the Nepalese private sector firms, those who may be adversely affected by the negative externalities of the firms, those who have certain legitimate rights in the firms, and those who have some kind of interests in these firms are the stakeholders of the Nepalese private sector firms as depicted in the Figure 3.1.

More specifically, following are the key stakeholders of the Nepalese private sector firms vis-à-vis CSR and DRRM:

- Community (local & national)
- Employees and managers
- Customers
- Shareholders and other investors
- Government and regulators (including NDRRMA, military & police forces)
- Competitors, suppliers and other business partners in the marketplace
- NGOs, INGOs, international networks, and special interest groups (including NBI, NDRC, APP, ADPC, A-PAD, UN agencies etc.)
- Others (Academic commentators, media, trade bodies/industry associations, BFIs, etc.)

(ii) Review Stakeholder Interests

Once the key stakeholders are identified, their interests, power, links with one another, legitimacy & urgency of interests, and the value creation prospect should be reviewed.

Identification of Stakeholder Interests: Each stakeholder has a unique interest with the private sector businesses in Nepal. Following interests can be regarded as the main interests of different stakeholders of the Nepalese private sector.

- Local community seems interested in getting support from the private sector, particularly from the large ones, in the new employment opportunities, development of their community infrastructures, the opportunities to participate in firm's value chain activities, and in getting support in times of disasters.
- Employees and managers want better salary, wages, working conditions, learning opportunities and so on.
- Customers are generally interested for fair prices relative to the product's quality attributes and post sales services.
- Government wants the Nepalese private sector's engagement DRRM and other activities in achieving its social goals beyond the minimum requirements of law.
- NGOs, INGOs and special interest groups want to see the Nepalese private sector engaged in social activities beyond purely profit making activities to

collectively address pressing social issues like disaster risk management, climate change adaptation, environmental protection etc.

- Media and academic commentators are generally interested in encouraging the responsible business behavior and discouraging the irresponsible ones.

Evaluation of the Nature and Magnitude of Stakeholder Power: Stakeholders have different kinds of power: *voting power, economic power, informational power, political power, legal power, and coercive power*. Though different stakeholders of the Nepalese private sector have different nature and magnitude of power, government & regulators seem most powerful to promote CSR and integrate DRRM issues in companies CSR portfolio.

Different other stakeholders can also exercise their legal power when their fundamental rights are challenged or a business commits unethical business practices. For instance, customer can file lawsuits for damages caused by defective products, employees can file lawsuits for workplace discrimination, and environmentalists or other special interest groups may exercise legal rights for polluting the environment or any other wrong doings. In the country context like Nepal, some stakeholders may even use coercive power. For example, hydropower, road, and other projects in Nepal are sometimes confronting coercive power from local people and different political groups.

Assessment of the Chances of Stakeholder Coalitions: With the advent of information and communication technologies, link among different stakeholders and coalition among them have become faster and easier. For instance, social activists, media and general public can easily form a coalition within hours to protest against some corporate action by using telephones, email, and social networking sites. However, stakeholder coalitions are not static. Groups that are highly involved with a company today (e.g., particular media) may not be involved tomorrow. Issues that are controversial at one time may be uncontroversial later. Therefore, the Nepalese private sector should also understand the fact that sometimes different stakeholders may also form coalitions and may exert pressures on companies particularly when the interests of general public and vulnerable communities are severely threatened from corporate actions or inactions.

Examination of the Legitimacy of Stakeholder Interests: Legitimacy refers to the perceived validity or appropriateness of a stakeholder's claim to a stake. In any country context, owners, employees, customers, and government represent a high degree of legitimacy due to their explicit, formal, and direct relationships with private sector businesses. However, in the country context like Nepal where social license to operate is also regarded as important one, interests of local community can also be perceived as having significant degree of legitimacy.

Determination of the Urgency of Stakeholder Interests: If urgency of stakeholder interests are not properly understood and responded it may lead to highly undesirable consequences such as a union strike, a consumer boycott, a

community protest, or a media criticism. In the context of Nepalese private sector, responding to DRRM issues including employee safety and mitigation of negative environmental externalities seem relatively urgent issues that may need immediate actions before they become difficult to manage.

Analysis of the Value Creation Prospect: Nepalese private sector cannot be compelled to be responsible for all the society's problems, nor do they have the resources to solve them all. Therefore, whether a particular corporate response to fulfill stakeholder interests can create value for both business and society (or not) is vitally important to consider. Furthermore, sustainability of the initiative is also important. For instance, stakeholders may want less consumption of energy, water and other natural resources by business. In response to this stakeholder interest, business may use appropriate technologies and approaches that consume less energy (e.g., LED lights) and other natural resources. This may create value for business by reducing the cost of operation (at least in the long-run) and, at the same time, create value for society by preserving the natural environment and making these resources available to future generations as well. This corporate response is sustainable too, from the perspectives of both business and society.

Following are some of the important areas that the Nepalese private sector can work on to create additional value for business, society, and the government simultaneously.

- Optimum utilization of water, energy & other natural resources, conversion of waste into fertilizer & energy, cross-sector collaboration to address pressing social issues collectively,
- DRRM activities, disaster mitigation and preparedness initiatives in particular for self and the vulnerable communities; inclusion of the poor people in the firms supply chain activities;
- Employee health & safety; helping employees in work-life balance issues; employee empowerment initiatives; and e-HRM & green HRM practices

(iii) Prioritization of Stakeholder Interests

The next important step in stakeholder analysis is to prioritize stakeholder interests based on the aggregate picture of stakeholder power, chances of coalition among stakeholders, legitimacy of stakeholder interests, urgency of interests, and the chances of value of value creation by a particular corporate response.

To be noted, however, "*one size does not fit all*". It implies that it's very impractical to prescribe a common list of priority areas for all the Nepalese private sector business. It should be carefully identified by the individual businesses considering the nature of their own businesses and their own key stakeholder groups. But, it is vitally important that if different private sector businesses work on different areas, they can collectively address most of the social issues. If some issues are still left by the

private sector, they can be attended by the government at different levels and the NGOs/INGOs, or from the collaborative efforts of all.

(iv) Conceiving the Likely Responses to Stakeholder Interests

Once the various interests of stakeholders are prioritized, appropriate strategies and priority areas of CSR to cater their interests should be conceived. To be noted, however, sometimes there may be differences between demands, interests, and needs of stakeholders. *Demand* refers to 'initial bargaining point', *interest* refers to 'what stakeholders really want', and *need* refers to the 'lowest level of something acceptable to the stakeholders'. Thus, appropriate strategies and priority areas should be conceived to, at least, cater the *prudent needs* of different stakeholders.

However, it is often better to anticipate stakeholder interests or needs rather than simply respond to them. If a company can create a shared value by anticipating and/or responding to certain stakeholder interests it is highly desirable. Under new CSR paradigm, CSR or company stakeholder responsibility is no longer merely a moral duty to do the right things. More importantly, it can be regarded as a strategic tool to create value for both business and society simultaneously. Therefore, response to stakeholder interests should be conceived from creating shared value (CSV) perspective as far as possible. At times, collaboration with other stakeholders (such as other companies, trade bodies, industry associations, government, NGOs/INGOs, and media) can also be done in tackling complex social and environmental problems.

3.2 CSR Assessment beyond Stakeholder Analysis

Against the recent regulatory provisions vis-à-vis mandatory CSR spending in Nepal, certain types of industrial enterprises and all BFI in Nepal are required to consider the relevant regulatory provisions in addition to the above discussed points. Besides, private sector firms should also consider the following things (but not limited to) before finalizing their CSR policies, CSR vision & strategies, CSR thrust areas, specific CSR projects, CSR implementation mechanisms, and CSR communication and reporting systems.

- Their firm's strategic intent (i.e., mission, vision and strategic objectives);
- Their value chain activities including firm infrastructure, human resources management, technology development, procurement, inbound logistics, operations, outbound logistics, marketing & sales, and after-sales services;
- Lessons learnt from the firm's past CSR and DRRM policies and practices;
- Good CSR practices (including DRRM practices) of other firms within and beyond the particular industry sector, and
- CSR related international standards.

3.3 Way Forward

3.3.1 Way Forward for the Nepalese Private Sector

Despite the growing interest of the Nepalese private sector and mandatory legal provisions on CSR, the status of CSR practices in Nepal is still not satisfactory. There are still lots of confusions, narrow interpretations, and most of the CSR activities are isolated from core business operations. Companies are allocating and spending CSR fund on an ad-hoc basis. There are no proper implementation, evaluation & control, and reporting mechanisms. Consequently, most of the companies are misaligning their valuable corporate resources in the guise of CSR. In this context, development of some common national guidelines on CSR, in collaboration with NGOs or other organizations working on the similar interests, can be a starting point towards the long journey of creating a win-win situation between business and society. The guidelines may include the following (but not limited to):

- Recommendations for the institutional arrangements for the Nepalese private sector firms' engagement in DRRM and other CSR activities;
- The frameworks for conducting CSR assessment (including the review of corporate strategy, legal provisions, international standards, benchmarking, and the stakeholder analysis etc.);
- Guidelines, techniques, and templates for preparing CSR vision, CSR strategy, CSR projects, and CSR action plans;
- Frameworks for implementation, evaluation, and control of CSR fund; and
- CSR communication and reporting mechanisms .

However, in the near future, it is better to develop CSR guidelines separately for Banking & Financial Institutions (BFIs), industrial enterprises (which are covered under the scope of mandatory CSR spending), and for rest of the companies that can follow the guidelines voluntarily.

3.3.2 Way Forward for the Government and Regulators

The government can and should play an important role to engage the private sector in DRRM and other CSR activities. But, policymakers must understand the fact that “sticks” (i.e., mandatory legal provisions) alone do not work. “Sermons” (i.e., knowledge and information) and “carrots” (i.e., incentives such as tax abatements, awards etc.) are also equally important.

The government should come forward with all possible roles – mandating, facilitating, collaborating, and endorsing. Specifically, following are the important suggestions regarding the way forward for the government and policy makers in order to ensure genuine engagement of the private sector in DRRM and other CSR activities.

- Create awareness on CSR such as through creating CSR web portal, hosting a TV show, declaring and celebrating CSR day etc.

- Regulating responsible business behavior through appropriate laws, regulations, standard operating procedures, circulars, CSR reporting standards etc.
- Giving tax exemption and other clearly spelled out incentives for cleaner production and certain types of CSR activities, which are congruent with the priority areas for achieving government's social goals.
- Establish a mechanism for firm's CSR rating and provide awards to socially responsible firms. However, the rating criteria should incorporate all the following five aspects –
 - (i) Institutional arrangements for CSR governance, planning, implementation, communication, and reporting.
 - (ii) Spending of mandatory CSR budget (in full) within the stipulated time without any penalty;
 - (iii) Submission of the CSR plan and the reporting of CSR expenditure per the requirement and on time;
 - (iv) Coordination with the local level government authority, cross-sector collaboration, and innovative approaches of CSR that create shared value (CSV) for business & society;
 - (v) The total amount of CSR expenditure in relation to annual net profit as well as the impact of such expenditure as reported.
- Create a platform for dialogue and collaborative efforts among business, government, NGOs/INGOs, and experts in handling critical social agenda.
- Lead by example through good governance, sustainable public procurement, endorsing pro-CSR standards and systems, using shared value approach and publishing CSR reports in public enterprises etc.

3.3.3 Way Forward for Other Stakeholders

Besides the business community and the government, NGOs and INGOs can also play important roles in promoting CSR. To this end, NGOs/INGOs can do research and share information on how private sector can collaborate with other sectors to address pressing socio-economic issues such as disaster risk management and climate change adaptation. They can collaborate with government and the private sectors environmental projects and in preparing certain guidelines or standards.

The role of media is also instrumental in promoting CSR. Media can: (i) provide adequate space to socio-economic issues in its news contents, (ii) pursue transparent and responsible editorial policy, and (iii) report both irresponsible as well as responsible business practices in order to encourage responsible behavior and discourage the irresponsible ones.

Likewise, universities should introduce ethics and CSR courses in their academic curricula particularly in Bachelor and Master level management programs, vigorously interact with corporate sector to identify the critical CSR issues they are facing, and collaborate with corporate sectors in conducting relevant researches. Business

partners in its supply chain, consumers, special interest groups, local community, social networking sites, and other stakeholders of business can also play important roles from their own spheres of influence in promoting CSR in Nepal.

3.3.4 Final Remarks on the Way Forward

In a nutshell, everyone should think from the premise that business and society are not in different camps; they are in the same boat. Thus, business, government and other actors of society should perform their respective roles in order to promote CSR in Nepal and create a win-win-win situation between business, society and the government. In this regard, a business or a cluster of businesses can work with community groups, NGOs & INGOs, government and other stakeholders.

For instance, Department of Hydrology and Meteorology can provide weather forecasting information to a telecommunication company and it can flow the early warning messages regarding the disaster risks to target community people. While at the same time, military/police & some interest groups may become ready for rescue, a pharmaceutical company can support with medicines, and FMCG Company can provide quick foods to flood (or any other) victims if some mishaps occur. An NGO may coordinate all these for disaster risk reduction and management.

4. GUIDELINES ON ‘CSR STANDARD OPERATING PROCEDURE’ FOR THE GOVERNMENT

4.1 Overview of the Components of CSR-SOP for the Government

The Corporate Social Responsibility Standard Operating Procedure (CSR-SOP) for the government refers to the details of the prescribed policies, processes and standards set by the government to be followed by the designated businesses vis-à-vis CSR. In line with the broad guidelines provided by the Industrial Enterprise Act, 2076 (IEA, 2076) and Industrial Enterprise Rules, 2078 (IER, 2076), the CSR-SOP for the government may include the following details (but not limited to) for the clear and consistent understanding of CSR among Nepalese business community, particularly among Nepalese industrial enterprises.

- Preface.
- Short title and commencement.
- Terms and definitions used in the SOP.
- Statements of the amount of budget to be allocated for CSR as per the requirement of IEA, 2076 and the scope of CSR activities as per the IER, 2078 and other relevant provisions to be adhered while spending the stipulated CSR budget.
- Further detailing and clarification of the CSR activities mentioned in the IER, 2078, as needed.
- NGO/ CSR Foundation selection criteria for those who want to spend CSR expenses through specialized NGOs or some CSR Foundation.
- Institutional arrangements for CSR
- Provisions relating to endorsing CSR activities through specific CSR award schemes.
- Provisions relating to CSR awareness programs, such as through celebration of “CSR Day” or organizing “Responsible Business Symposium”, preferably in collaboration with NGOs and the government.
- Mechanisms relating to needed coordination with other authorities (e.g., the local government and other government line agencies) and cross-sector collaboration.
- CSR planning, monitoring, and reporting mechanisms.

However, it is to be noted that this is simply a proposal regarding the CSR-SOP for the government, which may be fully accepted & incorporated, or partially accepted, or rejected by the concerned authority of the government as deemed appropriate. The subsequent sections of this unit mainly focus mainly on some selected points only from the above list which are supposed to be relatively more important and need further details.

4.2 Principles and Parameters of CSR Activities

4.2.1 Principles of CSR Activities

In principle, corporate social responsibility (CSR) should be understood as the obligation of business management to:

- obey all the applicable laws,
- run the business in an ethical manner even when some ethical issues are not adequately covered by laws,
- fulfil the prudent interests of internal as well as external stakeholders without compromising the sustainability of business itself,
- sustainably use the natural resources and protect the environment, and
- contribute a part of its profit to address social issues such as DRRM, fill developmental & governance gaps, and be a good corporate citizen.

However, while discharging its social responsibilities, creating shared value (CSV) approach and cross-sector collaboration can also be considered wherever possible. CSV and collaborative approaches can create additional value to both business and society, while at the same time, can address social issues in greater scale to fulfil developmental gaps left by the underresourced governments in the country context like Nepal.

4.2.2 Parameters of CSR Activities

The areas of mandatory spending on CSR in line with the requirements of in line with the requirements of Industrial Enterprise Act, 2020 and Industrial Enterprise Rules, 2022 are as under:

1. **Disaster Risk Reduction and Management (DRRM):** Various DRRM projects and initiatives including the activities relating to proactively mitigating the effects of disaster, planning and preparation for the disaster response, responding to the disaster during its occurrence, and medium to long-term recovery measures to bring community and business back to normal;
2. **Community Health:** Community health projects and initiatives including construction of community health infrastructure, distribution of medicines and equipment, health awareness programs, and community health camps;
3. **Art, Literature, Culture and Heritage:** Protection and promotion of Nepali art, literature, culture, and heritage;
4. **Skill-Oriented and Revenue Generating Programs:** Skill-oriented and revenue generating programs for low-income, backwarded, rural women, differently-able & minorities and marginalized people;
5. **Community Education:** Community education projects and initiatives including construction of infrastructures of community schools and universities, scholarships to the needy students, educational equipment and materials, training & research grants for teachers & students, and other activities for educational development;

6. **Environment and Energy:** Natural and environmental protection including pollution control, solid waste management, promotion of alternative energy;
7. **Initiatives Against Social Ills:** Initiatives against social evils, superstitions, and social backwardness; and
8. **Community Infrastructures:** Construction and renovation of physical infrastructures besides the above-mentioned infrastructures including water supply, irrigation, road, sewerage, public rest places (*paati-pauwa*), community buildings, arphanage, parks, bus parks, bus-stand etc. that are relevant to well-being of the society.

To be noted, however, community infrastructure should also consider disaster resiliency (such as building codes) and inclusiveness (such as women-friendly, accessible to differently-able people etc.) perspectives. Moreover, the allocation and spending of CSR budget should meet the following requirements:

- CSR budget should be allocated and spent in two or more than two areas as per the CSR thrust areas identified by the business within the scope of above-mentioned 8-points list (see Section 4.2.2).
- The industrial enterprise must spend at least 50 percent of “threshold CSR amount” to the community which is directly affected by the industrial enterprise. The directly affected community implies maximum upto the concerned municipality in case of large enterprises and concerned ward of the municipality in case of medium, small and cottage industries. However, the actual affected area within the above criteria should be declared by the company and it should be notified to the concerned municipality (in case of large enterprise) or the ward (in case of cottage, small and medium enterprises).
- The industrial enterprises which are required to do Initial Environmental Examination (IEE) must spend at least 15% of threshold CSR amount in environmental (point number-6) and/or DRRM (point number-1) related activities. Likewise, the industrial enterprises which are required to do Environmental Impact Assessment (EIA) must spend at least 20% of threshold CSR amount in environmental (point number-6) and/or DRRM (point number-1) related activities.
- Maximum upto 20% of the threshold CSR amount can also be deposited in the Prime Minister’s Disaster Relief Fund. But, it should be properly mentioned while submitting the CSR report to the concerned authority.
- The expenditures that are incurred in the activities mandated by other legal provisions (such as expenditures incurred in mitigating negative environmental externalities according to the provisions of Environmental Protection Act, 2076) cannot be counted under mandatory CSR spending.
- The CSR budget cannot be allocated and spent in areas which creates the situation of “conflict of interests”. Specifically, CSR budget cannot be spent in

organizations/projects where the owners, BOD members, managers, or their family members are directly associated.

- Maximum up to 10% of the total CSR Budget can be allocated for administrative overhead and this amount can be counted under CSR expenses. This includes costs incurred in consultancy fees (e.g., CSR strategy and project design, engineering drawing & designs, social audit activities etc.) and/or the administrative overhead for CSR Foundation/NGO/implementation partner.

4.3 Channels for Implementing CSR Programs and Projects

The channels for implementing CSR programs and projects can be the industrial enterprise itself or an independent “CSR Foundation” established by the enterprise or an outsourced implementing agency/an NGO or a collaborative project between an enterprise and other organization or the combination of enterprise’s own initiatives and collaborative project. There should be a clear agreement between the enterprise and outside party when company chooses to work through outside party.

However, the enterprise will be accountable if any discrepancies in the designated projects or any other problems occur with the outside party.

4.4 Reward and Punishment

4.4.1 Reward

Industrial Enterprises with praiseworthy CSR activities shall be duly recognized and awarded with “CSR Star-Rated Certificates”. Industrial enterprises may apply for CSR star rating and the “CSR Governing Board” can decide to give five-stars, four-stars, three-stars or no stars to the applicant company. The major criteria for CSR-star rating shall be as shown in the Table 4.1.

Table 4.1: Major Criteria for CSR Star Rating

S. N.	Criteria	Maximum Points Allocated
1.	CSR Governance and Institutional Arrangements	20
2.	CSR Budget and the Spent Amount	20
3.	CSR Planning, M & E, Disclosures, and Reporting	20
4.	Coordination, Collaboration, CSR Awareness Programs, and Social Audit	20
5.	Scope (no. of issues and geographic areas covered), Innovativeness, and Effectiveness of the CSR Programs	20

Each criteria shall constitute 2 to 5 objectively verifiable indicators with appropriate weightage as decided by the CSR Governing Board. To obtain three-stars, four-

stars, and five-stars, industrial enterprises must obtain at least 70, 80, and 90 points respectively. The structure of CSR Governing Board shall be as follows:

- (i) Secretary (Ministry of Industry, Commerce and Supplies) – Chairperson
- (ii) Joint-Secretary (Industrial Investment and Promotion Division) – Member
- (iii) Joint-Secretary (Industrial Infrastructure Division) – Member
- (iv) Director General (Department of Industry) – Member
- (v) President/FNCCI – Member
- (vi) President/National Business Initiative (NBI) – Member
- (vii) CSR Expert/Academician (nominated by the Chairperson) – Member

Industrial enterprises who aspire to obtain CSR star-rating can apply through the concerned government authority with required documents along with the relevant evidence. The certificate winning enterprise may articulate its CSR star-rating in its advertisements and other corporate communications.

4.4.2 Punishment

Industrial enterprises which are not able to spend at least 50% of the CSR Threshold Amount in the given fiscal year will be fined with 1.5 times of the unspent amount. The remaining amount plus the fined amount will be carried over in the succeeding fiscal year. However, if the unspent amount is 50% or less than 50% of CSR Threshold Amount, no fines will be levied. The unspent amount should be carried over to the succeeding fiscal year with adequate justifications. If some disputes arise, the decision of CSR Governing Board will be regarded as final.

4.5 CSR Awareness Programs

In order to create awareness about CSR among business community and other stakeholders, CSR awareness programs shall be carried out through CSR relevant conferences, symposiums, trainings, websites, study reports, campaigns, CSR awards, celebration of CSR day etc. The specific date for celebrating “CSR Day” may be declared by the CSR Governing Board as deemed appropriate. The CSR awareness programs may be carried out by individual enterprises or through the collective efforts of individual enterprises, business associations, NGOs/INGOs, and the government. CSR awareness programs conducted by individual enterprises can be considered in CSR star rating but the expenses incurred in such activities will not be considered as a part of mandatory CSR spending.

4.6 Social Audit and Public Hearing

The social audit and public hearing of the CSR projects is highly desirable though it is not a mandatory requirement. However, social audit and public hearing of the CSR projects can be taken as a measure of CSR governance and for the evaluation of the effectiveness of CSR projects and initiatives.

Additionally, based on the concerns expressed by different stakeholders including beneficiary community group during social audit and public hearing, continuous improvements in CSR initiatives and projects in the future may be possible.

4.7 CSR Planning and Reporting Mechanisms

Industrial enterprises which are required to comply with mandatory CSR requirements should plan their CSR activities and keep the concerned government authority (DoI or DCSI) informed about it while submitting annual audit and other reports according to the provisions of IER, 2078 (Clause 10). It can also be submitted electronically through a system established by the concerned Department wherever possible.

The format of Consolidated Corporate Social Responsibility Plan and Consolidated Corporate Social Responsibility Spending Report shall be as per the Annex-1 and Annex-2 respectively. Enterprises should keep the receipt of the submission of their plan and CSR spending report safe to produce them in future as needed (e.g., while applying for CSR star rating certificate). If they are submitted electronically, acknowledgement email or any other electronic proof obtained from the concerned authority can be taken as evidence of the submission.

4.8 Coordination and Collaboration Mechanisms

Industrial enterprises which are required to comply with mandatory CSR requirements should undertake their CSR activities in coordination with concerned local level authority. A copy of CSR plan should be submitted to the concerned municipality and concerned ward in case of large enterprises and a copy of such plan should be submitted to the concerned ward in case of cottage, small and medium scale industrial enterprises. This is mainly for the purpose of keeping local authorities informed about an enterprise's CSR activities in order to avoid potential duplication of activities and, sometimes, do necessary collaboration as needed. Enterprises should keep the receipt of the submission of their plan to the local level authority to produce them in future as needed (e.g., while applying for CSR star rating certificate).

Similarly, the industrial enterprise should take a certification letter of CSR spending after submitting a CSR Spending Report to the concerned government department (see Annex-3). The concerned government department shall send a copy of such letter to the Internal Revenue Department of the government as well.

Besides the local level government authority, enterprises may coordinate and collaborate with special interest groups, NGOs, and other businesses to address the social issues collectively with greater impact. In such a case, individual enterprises are required to clearly demarcate their part from the whole and maintain financial and other records accordingly (see Annex-4).

5. GUIDELINES FOR PRIVATE SECTOR FIRMS' ENGAGEMENT IN CORPORATE SOCIAL RESPONSIBILITY

5.1 Overview of the Framework for Private Sector Firms' Engagement in CSR

It is always better to put CSR planning, implementation, monitoring & evaluation, and reporting mechanisms in place for the best utilization of CSR fund and the institutionalization of CSR practices. The framework suggested for the private sector firms' engagement in CSR is shown in the Figure 5.1.

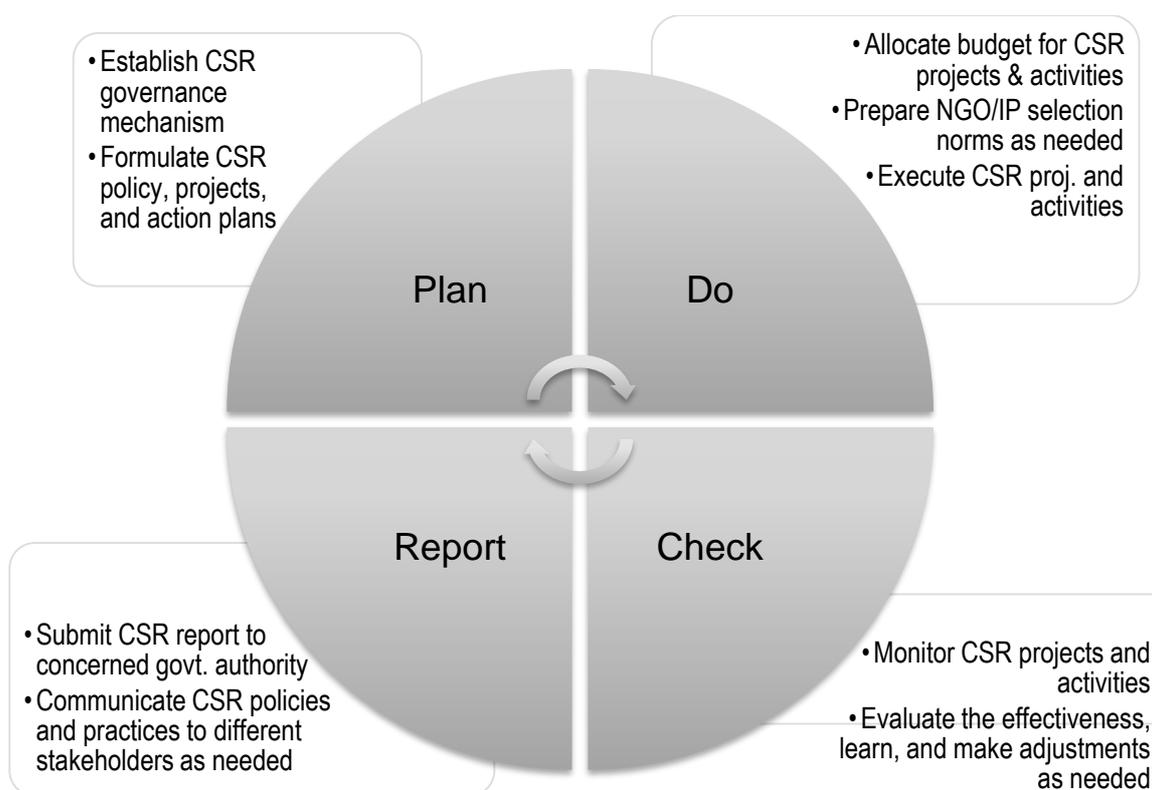


Figure 5.1: The Framework for Private Sector Firms' Engagement in CSR

Though this is a typical framework suggested for the private sector firms' engagement in CSR, the activities mentioned in the figure do not always follow the specific order. For instance, monitoring and evaluation is not necessarily a post-implementation activity. Monitoring and evaluation of CSR projects may occur concurrently, immediate after the project is completed, or even after few years of project completion.

Similarly, some activities are legally mandatory and some others can be adopted by the firms voluntarily. For instance, reporting of CSR expenses to the government authority is mandatory for certain enterprises but communication of CSR practice to different stakeholders is voluntary. Likewise, some activities should be undertaken by the firm itself, some activities can be outsourced to external consultant or

implementing partners. For instance, built-in CSR plans across functional areas should be implemented by the firm itself but the CSR projects may be executed by the firm itself or it be outsourced to external implementing partner. The detailed explanations of important sections mentioned in this Plan-Do-Check-Report cycle are given in the subsequent sections.

5.2 CSR Governance Mechanism

Top management's commitment and involvement beyond lip service is extremely important to institutionalize CSR in organizations. However, it should be system driven. To this end, the Board of Directors (BOD)/Board of the enterprise shall be responsible for taking all decisions pertaining to the CSR vision, mission, goals, strategies, thrust areas, projects, and action plans. This is the first step in taking CSR from the "peripheral issue" to "mainstream business issue". The BOD shall, at least,:

- Approve CSR policy (CSR vision, mission, thrust areas etc.), strategy, projects, activities, and built-in CSR action plans (functional area-wise);
- Display the approved CSR policy on the firm's website along with web-link as needed;
- Periodically review CSR strategies, projects, activities, legal requirements, and impacts of the CSR projects and activities; and
- Keep the minutes of the Board meeting that reflect the actions taken in the above-mentioned aspects.

To put CSR policies, strategies, and projects into action, formation of CSR Committee (at least 3-7 members including top level executive position and managers from cross-functional areas) with a clearly defined CSR focal person is also important for CSR governance. For large enterprises, inclusion of external CSR expert as a member of CSR Committee may also be appropriate to consider. The CSR Committee shall, at least,:

- Formulate and recommend to the Board, a CSR policy which shall comply with the requirements of Industrial Enterprise Rules, 2078 (Clause 43) and other relevant legal requirements;
- Formulate and recommend to the Board, CSR strategies, projects, and activities;
- Formulate and recommend to the Board, CSR projects' action plans (if not outsourced to NGOs/IP) and built-in CSR action plan;
- Monitor the progress in CSR projects and activities from time to time and report them to the Board and to the concerned government authority.
- Keep the minutes of the CSR Committee meeting that reflect the actions taken in the above-mentioned aspects.

5.3 Guidelines for Formulating CSR Policy, Projects and Action Plans

This is a comprehensive process involving series of tasks that is generally performed by the CSR Committee and approved by the Board. However, this function may also be facilitated by the external consultant. Following are the important steps suggested for formulating CSR policy, projects, and action plans.

Task #1: Conduct CSR Assessment

Task #2: Formulate CSR Vision and Mission

Task #3: Identify CSR Strategy and CSR Thrust Areas

Task #4: Design Specific CSR Projects

Task #5: Prepare Built-in CSR Action Plan

Figure 5.2 portrays the overall process of formulating CSR policy, projects, and action plans.

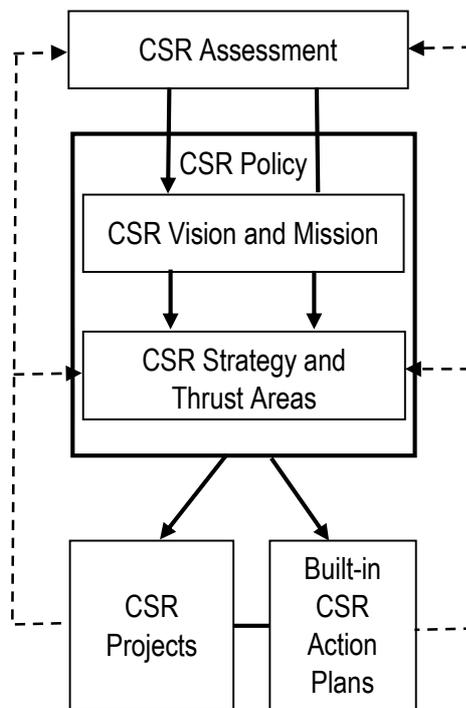


Figure 5.2: Process of Formulating CSR Policy, Projects and Action Plans

It is to be noted that this process should not be taken as too rigidly. The various elements of CSR policy, projects, and action plans may have to be modified from time to time in line with changing conditions in the relevant factors in the external environment and organizational realities. However, if there are any significant changes particularly in the CSR projects that may impact mandatory CSR spending, they may have to be reported to the concerned government authority as per the existing legal provisions.

5.3.1 Conduct CSR Assessment

CSR assessment is concerned with the review of internal and external factors that are relevant to CSR policies and practices. Specifically, it involves the following steps:

- Review existing legal provisions vis-à-vis CSR and DRRM.
- Review the firm's vision, mission, values, and strategies.
- Review firm's internal operations/functional areas as well as supply chain activities.
- Audit firm's current CSR policies (if any) and practices
- Consider the lessons learnt firm's own past CSR (including DRRM issues) policies and practices
- Analyze key stakeholders of the firm and conceive likely responses to their interests.
- Research what others are doing and identify best CSR practices including DRRM activities that ensure sustainability of businesses while at the same time benefits community and other stakeholders of society.
- Review CSR related international standards that are more relevant to a given firm.

5.3.2 Formulate CSR Vision and Mission

After conducting CSR assessment, CSR vision and mission can be formulated which sets the context for identifying CSR strategy, designing CSR projects and developing CSR action plans. CSR vision should incorporate long-term aspiration of a vis-à-vis CSR. CSR vision can be developed by considering what a firm would like to become in terms of CSR by the next 10 to 30 years. For instance, a vision statement for a pharmaceutical company may be like: "To be a most responsible pharmaceutical brand of Nepal known for caring people and planet simultaneously."

Likewise, CSR mission should give the reason for firm's existence in the eyes of different stakeholders of society. It can highlight the firm's concern for local community (in which it operates), employees, customers, environment, ethical priorities, financial sustainability & growth, and so on.

5.3.3 Identify CSR Strategy and CSR Thrust Areas

CSR strategy refers to the basic direction and approach that a firm wants to pursue to put CSR agenda forward. The various CSR strategic options for a firm can be:

- Altruistic CSR strategy, which focuses on giving something back to society after making profit through episodic CSR activities and community CSR projects.
- Integrated CSR strategy, which focuses on integrating responsible business practices into strategy and day-to-day business operations.
- Creating shared value (CSV) strategy, which focuses on creating shared value between business and society simultaneously through innovative CSR practices.

- Transformational CSR strategy, which focuses on transforming business and society through CSV approaches, cross-sector collaborating, and sometimes proactively shaping political agenda to fulfil development and governance gaps.

However, it is noteworthy to mention that CSR strategy should be congruent with CSR vision and mission as well as the applicable legal requirements.

CSR thrust areas may be anything in line with the essence of CSR vision, mission, strategy, and legal requirements. Some of the CSR thrust areas for Nepalese industrial enterprises may be:

- Disaster risk reduction and management;
- Community health, education and physical infrastructures;
- Social entrepreneurship and income generation programs for poor and vulnerable community people;
- Protection and promotion of Nepali art, literature, culture, and heritage;
- Programs against social evils and for promoting spirituality;
- Environment protection, pollution control, and alternative energy;
- Support to 17 sustainable development goals (SDGs);
- Responsible workplace (employees and corporate governance) practices;
- Responsible marketplace (consumers and supply chain) practices; etc.

5.3.4 Design Specific CSR Projects

Specific CSR projects should be identified and designed in congruence with the CSR strategy and within the scope of CSR thrust areas. A simple specimen template for a specific CSR project design is given in the Exhibit 5.1 below:

Exhibit 5.1: Specimen Template for CSR Project Design					
Name of the Firm:					
Name of the Project:					
Expected Impact:					
Expected Outcome:					
Expected Output:					
Activities	Performance Indicators	Timeline	Lead Role	Budget	Remarks/ Assumptions

However, a framework incorporating more detailed information may be needed for a consolidated CSR plan for the purpose submitting to the concerned government authority (see Annex 1).

5.3.5 Prepare Built-in CSR Action Plan

It is always better to integrate socially responsible business aspirations into day-to-day business practices rather than simply performing episodic CSR activities. For this purpose built-in CSR action plans can be developed across functional areas of business. A simple specimen templete for a built-in CSR action plan is given in the Exhibit 5.e below:

Exhibit 5.2: Specimen Template for Built-in CSR Action Plan					
Functional Area:					
Sub-goals:					
1.					
2.					
3.					
Activities	Performance Indicators	Timeline	Lead Role	Budget/ Resources	Remarks/ Assumptions

To be noted, built-in CSR action plan should also be congruent with the CSR policy of the firm.

5.4 CSR Implementation, Monitoring and Evaluation Guidelines

Implementation of CSR projects and cross-functional action plans require organizational resources, commitment, and capabilities. Following are the important elements that are generally needed for the effective implementation of socially responsible business aspirations.

- Development and enforcement of prescriptive commitments such as code of conduct/ code of business principles.
- Sensetization and training on code of conduct, legal requirements, and various aspects of CSR policies and practices for BOD members, cross-functional managers, CSR focal person, and employees as needed.
- Development of NGO/Foundation/IP selection criteria if a firm wants to execute CSR projects through them and enter into an agreement with them.

- Allocation of budget to CSR projects and activities.
- Delegation of authority, defining responsibilities, giving access to relevant information, establishment of accountability system, and enforcement of implementation mechanisms for CSR projects and activities.
- Mechanism for stakeholder engagement prior, during, and after the completion of CSR projects.
- Mechanisms for reward (for legal and ethical compliances), punishment (via. whistle blowing mechanisms), and culture of celebration on successful completion of CSR projects.
- Periodic monitoring and evaluation of CSR activities.
- Recognizing and documenting the the shortfalls and take corrective action in the current CSR policies and practices as well as document the rooms for improvement in the next cycle plans.
- External Assurance Report thorough social auditing and public hearing facilitated by the independent external CSR expert or external consulting firm specialized on CSR issues. The External Assurance Report may be a part of its final CSR report.

5.5 CSR Communication and Reporting Guidelines

5.5.1 CSR Communication Guidelines

CSR communication is the articulation of company's CSR policies and practices with different stakeholders. CSR communication should be directed not only towards customers and business partners but also towards employees, investors, community, government, and the general public. CSR communication is highly essential to increase the visibility of CSR practices, gain legitimacy, gain stakeholder support, create "responsible brand", comply with regulatory requirement and, sometimes, change the attitude and behavior of people toward business community.

The various channels of CSR communication may be (but not limited to):

- CSR reporting integrated in annual report;
- Stand-alone CSR report (based on own format or some international standards);
- Press meet, press release, public hearing, interviews in the media;
- Cause-related marketing and advertisements;
- Communication on product packaging;
- Newsletters, leaflets, posters, internal meetings, intranet, word-of-mouth;
- Sponsoring;
- Expert forums, symposiums, stakeholder workshops, public CSR discourse;
- Company website, social networking sites, blog;
- Ethics helplines;

- Joint research and dissemination programs in collaboration with NGOs, universities;
- Awards, competitions, awareness campaigns, celebrations, etc.

However, firms should try to provide more objective information (such as percentage of reduction in carbon emission/water/energy etc.) without exaggerating and manipulating the facts. Likewise, the contents of communication should be consistent with aspirational (i.e., vision and mission) and prescriptive (e.g., code of conduct) CSR commitments.

5.5.2 CSR Reporting Guidelines

CSR reporting can be regarded as a part of overall CSR communication. Firms can prepare concise report incorporating the CSR policies and practices. Such report can be available in hard copies and it can be kept in firm's website as well. Sometimes, a separate part in firm's annual report can be allocated for CSR. The CSR report may incorporate the following details (but not limited to):

- Business Context;
- Brief overview of CSR governance mechanism;
- CSR Policy (CSR vision, mission, strategies, and thrust areas);
- CSR prescriptive commitment (e.g., code of conduct, if any);
- CSR/business ethics related international standards (certification-based or voluntary guidelines) followed by the firm, if any;
- Overview of implementation partners (if any);
- CSR projects and activities implementation status (budget spent on CSR activities this year, accumulated spending on CSR, milestone reviews for multi-year CSR projects, etc.);
- List of completed and ongoing CSR projects;
- Output, outcome and impacts of CSR projects;
- Future direction; and
- External assurance report (can be kept in the annex).

However, certain types of industrial enterprises and BFIs can also prepare a separate summary report (see Annex 2) for the purpose of submitting it to the concerned government authority for legal compliance.

6. THE AGENDA FOR CSR VIS-À-VIS DRRM IN NEPAL

6.1 Overview of Disaster Risks and Impacts in Nepal

Nepal is highly vulnerable to almost all types of natural and human induced disaster risks. Natural disaster risks include geophysical (e.g., earthquakes and landslides), hydrological (e.g., floods and avalanches), climatological (e.g., droughts and wildfires), meteorological (e.g., storms and cold waves), and biological (e.g., COVID-19 and HIV-AIDS). Likewise, human induced disaster risks include conflicts, industrial accidents, transport accidents, environmental degradation, and pollution.

Among them, flood, landslide, fire, thunderbolt, windstorm, road accidents, industrial accidents are the major recurrent disaster risks. Nepal is also facing the risk of earthquakes and time and again. Most recently Nepal also could not remain untouched from COVID-19 pandemic. It is among the 20 most disaster-prone countries in the world. A total of 6,381 disaster incidents were reported in 2017 and 2018 which affected 27,256 families with an economic loss of around 6.84 billion Nepali rupees (MoHA, 2019).

The steep topography, variable climatic conditions, active tectonic processes, and unplanned settlements have made Nepal vulnerable to disasters (Tuladhar, 2012). Inadequate technical knowledge and skills, deficiency to comply with building codes and risk informed infrastructure development, lapses in DRRM governance and its mainstreaming, poverty and exclusions have further triggered to the country's vulnerability to disaster (MoHA, 2022). Though legal and policy environment to deal with disasters has existed in one form or another in Nepal since 1982, Nepalese people continue to be exposed to disaster risks (Aryal, 2014).

6.2 Disaster Risk Financing Mechanisms in Nepal

As stated earlier, Nepal is exposed to almost all types of natural and human induced risks. The fifteenth Plan of Nepal (FY 2019/20 – 2023-24) also articulates a clear goal of a “safe and resilient Nepal from disaster risk”. To this end, the Government of Nepal has identified four priorities:

- # Priority 1 (National Level): Enhance financing of post-disaster emergency response, recovery and reconstruction through the use of pre-arranged financing instruments by implementing plans and systems to release finance rapidly to where it is needed.
- # Priority 2 (Sub-National Level): Establish pre-arranged financing to support local and provincial-level response activities, as well as plans and systems to protect public assets and ensure finance flows quickly to provide assistance to affected communities.
- # Priority 3 (Individual Level): Empower poor and vulnerable households and owners of SMEs to quickly restore their livelihoods after a disaster.
- # Priority 4 (Risk Analytics): Increase the use of risk data to support decision making about financial protection by the public and private sector.

In line with the priority areas certain financing mechanisms for emergency rescue, relief, and rehabilitation are in place in Nepal. For instance, around NRs. 1 million is provided to all district treasuries to enable their immediate response in the event of fires, floods, and landslides. If more funds are required, the federal government can transfer additional funds. Insurance for public assets is understood to have only been purchased in respect of Tribhuvan International Airport and, in that case, for public liability coverage only (ADB, 2019). Likewise, at the national level, the Prime Minister's Disaster Relief Fund is the primary source of financial resources for rescue, treatment, relief, rehabilitation of victims, and restoration of physical infrastructure damaged by the disaster risks.

At the central level, a committee, headed by the Vice Chairperson of the National Planning Commission and comprising the secretaries of eight different ministries, coordinates the activities of the fund. This committee decides to release the fund to the Office of the Chief District Officer (who is the coordinator of the District Relief Fund) through the Ministry of Home Affairs. Expenditures by both the Central Relief Fund and the District Relief Fund are audited by the Auditor General of Nepal, to ensure maximum accountability and transparency. Likewise, National Disaster Risk Reduction and Management Authority (NDRRMA) has been established in 29th Mangsir, 2076 as per the provision of Disaster Risk Reduction and Management Act, 2074 BS to act as a central resource body for disaster risk reduction and management.

Besides, the government generally reallocates the budget for disaster response whenever some major disasters occur in the country. This is done by stopping capital works programs where contracts are not already functioning. Nepal also appeals for international assistance (both loans and grants) in the event of major disasters such as earthquake. Nepalese private sector's contribution to disaster response is also remarkable but not properly institutionalized. It is mostly ad hoc and ex ante disaster risk financing mechanism is almost absent.

In a nutshell, it can be said that the government's resources and capacities are not adequate to respond to disaster risks in the one hand and, in the other hand, borrowing from external sources (particularly the loans) reduces Nepal's financial strengths and increases dependability on others. Likewise, private sector's engagement in DRRM is not yet streamlined and most of the efforts of private and public sectors are ex post rather than ex ante. Therefore, additional tools particularly – particularly the tools for risk reduction/transfer – are needed to optimally utilize country's resources and make Nepal disaster resilient by the near future.

6.3 Significance of the Private Sector Engagement in DRRM

In our country, the private sector businesses have always been one of the most important actors in assisting the state and the people in times of natural and human induced disasters. It can, in fact, be regarded as both morally and strategically a right thing to do. Without the active role of the private sector, the country's aspiration of shifting the paradigm from the traditional approaches of disaster rescue and

emergency relief to the culture of disaster risk mitigation measures and disaster preparedness cannot be achieved.

When carefully designed and implemented, private sector engagement in DRRM directly affects the effectiveness of the private sector itself, attainment of the social-economic goal of the government, and the wellbeing of the vulnerable people and communities. Following points highlight the significance of private sector's engagement in DRRM to the private sector itself.

- DRRM provides the private sector a stable working environment. DRRM helps to reduce the stress of the employees as they will be assured their workplace is safe and their families are also protected.
- It helps to reduce economic vulnerability of the firm as it helps to safeguard long-term investments, such as the manufacturing site and the warehouses.
- It also helps to protect the assets of farmers as well as upstream and downstream supply-chain partners. This helps to secure continuous supply of inputs at a reasonable cost and demand from the customers' side.
- Most importantly, DRRM and other socially responsible activities help to enhance business reputation, gain stakeholders' support, ensure improved relations with regulators and the government, and obtain "social license" to operate in the community.
- Finally, the collective efforts of the several businesses individually and through trade bodies helps to improve the perception of different stakeholders towards the business community as a whole and it ultimately helps to improve the investment climate.

CSR vis-à-vis DRRM also contributes the wellbeing of society and helps the government achieve its socio-economic goals. Some of its benefits to the society and the government are:

- In rural areas farmers, indigenous people, differently-able and elderly people, children, and women are more vulnerable to disaster risks. In the urban areas poor people and informal sector businesses are more exposed to disaster risks. Private sector's engagement in DRRM can protect the interests of these vulnerable groups of people and help to create a just society.
- The DRRM process seeks to involve community members in risk assessment, capacity building, early warning systems, rescue and relief efforts, and reconstruction activities. All these help to empower community people and improve their quality of life (QWL).
- DRRM helps to reduce the negative economic impact that might occur in the country due to the disasters.
- Private sector's engagement in DRRM activities can also help the government achieve its sustainable development goals (SDGs).

- By channelizing significant amount of CSR fund of private sector firms to the DRRM activities, the government can create a safe environment in the country and hence improve the flow of tourists throughout the year.

6.4 Useful Disaster Risk Financing Instruments for Nepal

Considering the government's priorities vis-à-vis DRRM as well as existing mechanisms and instruments for DRRM, Nepalese private sector, government, households, and other stakeholders can adopt various disaster risk financing instruments. Some of the important disaster risk financing instruments suggested by Cummins and Mahul (2009) and some other experts that can be useful for DRRM in developing or least developed countries like Nepal are briefly described below:

- **Insurance:** It is a well-known form of risk transfer where coverage of risk is obtained from an insurer in exchange of ongoing premiums paid to the insurer. It can cover the losses to business properties, public infrastructures, crops, livestock etc.
- **Micro-insurance:** It is based on the same principles as insurance but premiums are lower than traditional insurance and the coverage is generally restricted. It is useful to the poor and vulnerable community people who cannot afford to traditional insurance. It may be provided in innovative partnerships involving communities, NGOs, government authorities, and the private sector (as a part of their CSR).
- **Catastrophe bonds:** This is an arrangement where the investor receives an above-market return when a pre-specified catastrophe does not occur within a specified time interval. However, the investor sacrifices interest or part of the principal following the event.
- **Weather derivatives:** Weather derivatives typically take the form of index-based transaction, where payment is made if a chosen weather index, such as 5-day rainfall amounts, exceeds some predetermined level.
- **Contingent credit:** It is a prearranged loan contingent on a specified event. It can be provided by the insurance industry to other insurers, or by international financial institutions to governments.

Besides the above-mentioned risk transfer instruments, some other instruments such as disaster reserves and contingency budgets, borrowing, and post-disaster budget reallocations and tax increases from the government can also be used. Among them, as discussed earlier in Section 6.2, disaster reserves and contingency budgets, post-disaster budget reallocations, borrowing from international donors and financial institutions etc. are more common in Nepal. They can be used together with the risk transfer instruments but a major drawback of these instruments is that the risk is always retained with the risk financier.

6.5 CSR Agenda vis-à-vis DRRM for the Nepalese Private Sector

Disaster risk reduction and management efforts aim to avoid or reduce the potential losses from hazards, assure prompt and appropriate assistance to victims of

disaster, and achieve rapid and effective recovery. Despite lack of consensus regarding the specific activities and measures, almost all literature agree on the three distinct stages of DRRM cycle:

- Pre-disaster Stage: Diagnostic process to identify the disaster risks, activities to avoid or limit the adverse impact, and plan to ensure effective response in emergencies.
- Disaster/Emergency Stage: Protecting life and property in an emergency and providing assistance during or immediately after disaster.
- Post-disaster Stage: Actions taken after a disaster with a view to restoring infrastructure and full resumption of services.

Against this scenario, Nepalese private sector can engage in various stages of DRRM cycle at the national and local levels. Possible engagement of the private sector at the national/provincial, local/community, and workplace levels vis-à-vis different stages of DRRM cycle is presented in the Table 6.1.

Table 6.1: The Major CSR Agenda vis-à-vis Different Stages of DRRM Cycle

Level	CSR Agenda vis-à-vis Different Stages of DRRM Cycle		
	Pre-disaster (prevention, mitigation and preparedness)	Disaster/emergency (response and relief)	Post-disaster (rehabilitation, reconstruction and recovery)
National/ Provincial	<ul style="list-style-type: none"> - Establish a private sector led multi-sectoral platform and collaborate with various stakeholders for quick actions with greater impact on DRRM issues - Raise awareness on DRRM by organizing conference/ symposiums - Publish materials on DRRM issues and disseminate them through web-portal, newspaper, posters etc. - Establish early-warning systems in disaster-prone areas via. collective efforts 	<ul style="list-style-type: none"> - Coordinate with the federal/provincial government, NGOs/INGOs and contribute in rescue efforts and in providing first aids - Contribute in supply of food, water, clothes, medicine etc. in times of emergencies - Provide excess inventory and near expiry medicines in emergencies 	<ul style="list-style-type: none"> - Engage with the government in policy formulation process on DRRM - Conduct research on DRRM issues and suggest the way forward for the government and other stakeholders
District/ Municipality/ Community	<ul style="list-style-type: none"> - Raise public awareness through posters, community meetings, media coverage etc. - Analyze disaster risks and develop disaster prevention plan - Provide trainings to community youths, school children, women, differently-able people etc. on the matters of DRRM - Undertake projects to protect land and other property (e.g., river bank protection) - Follow relevant codes (e.g., building codes) and consider inclusion criteria (e.g., differently-able people friendly) in developing community infrastructures - Community health and sanitation - Donate various tools and equipment (e.g., boats, life jacket, fire extinguishers) to the people residing in the disaster-prone areas - Maintain and update risk data and help communities in using disaster risk financing (DRF) instruments 	<ul style="list-style-type: none"> -Coordinate with the humanitarian organizations, municipality/ ward, local youths, NGOs etc. and contribute in rescue efforts, evacuation, first aids etc. -Contribute in supply of food, water, clothes, medicine etc. in times of emergencies -Make necessary arrangements for temporary shelters/ tents etc. -Help local government authority and other stakeholders in damage assessments 	<ul style="list-style-type: none"> - Help the affected community in restoration of basic facilities - Help the community in reconstruction/ renovation of damaged infrastructure - Define local priorities to reduce vulnerability - Provide livelihood support to vulnerable people through job opportunities or engaging them in firm's value chain activities - Provide moral support and assist in providing credit facilities in subsidized rate to the affected people - Reforestation

Workplace	<ul style="list-style-type: none"> - Prepare and implement business continuity plans - Follow some standards (e.g., ISO 45001:2018) on workplace health & safety - Develop health and safety policies and provide training to employees on the same - Use disaster risk mitigation measures such as fire extinguishers - Follow relevant codes (e.g., building codes) and consider inclusion criteria (e.g., differently-able people friendly) in developing infrastructures and facilities - Maintain and update risk data and use disaster risk financing (DRF) instruments 	<ul style="list-style-type: none"> - Search and rescue of employees as soon as the disaster strikes - Try to reduce the possible losses using appropriate equipment and procedures - Provide first aid and medical assistance - Provide relief materials such as food, kitchen utensils, clothes as needed 	<ul style="list-style-type: none"> - Assess the damages and loss of property by the disaster - Claim for compensation if insurance policies have been done - Provide psycho-social counseling and moral support to the disaster affected employees and their family members - Reconstruction/renovation of the damaged property
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However, sometimes there is no clear-cut demarcation between the different stages and levels. For instance, conducting research on DRRM issues may be done at national level or community level as needed. Likewise, the research on DRRM issues can be done for disaster risk prevention and mitigation or it can also be done to assess the damages when disaster strikes and then suggest the way forward.

6.6 Case Studies on CSR Good Practices vis-à-vis DRRM

Disaster risk reduction and management practices can have positive impacts on both business and society. There are several CSR good practices vis-à-vis DRRM in different parts of the world including Nepal. Overview of some good practices are briefly highlighted as under (Section 6.4.1 – Section 6.4.4):

6.6.1 Case Study on Teaching Best Preparedness Practices to Turkish Small Businesses*

Industry/Sector: Cross-Industry (Turkey)

Introduction: Sağlam Kobi is a model program between UPS, the World Economic Forum (WEF), the U.S. Chamber of Commerce, and the Corporate Social Responsibility Association of Turkey (CSR-Turkey). This project was launched in 2013 and the name translates to “strong small and medium businesses.” Through this strategic public-private partnership, these businesses in Turkey are learning best practices to help them be better prepared in the event of a disaster.

Risk: Natural and man-made disasters continue to increase in frequency and scope. According to the US Federal Emergency Management Agency, almost 40 percent of small businesses never reopen their doors following a disaster because just a few inches of water can cause tens of thousands of dollars in damage. As such, businesses must be prepared to respond during crises to minimize disruption to operations and core objectives. Prior to the launch of the program, many Turkish businesses did not have the necessary tools to develop comprehensive plans of action in the event of a disaster.

Action: Sağlam Kobi utilizes disaster preparedness awareness campaigns, trainings, and an online preparedness platform centered on building capacity and

promoting resilience. The collaboration between WEF, the U.S. Chamber of Commerce, and CSR-Turkey allowed them to port the techniques and tools available to U.S. businesses to Turkey.

Output: The project has produced several different materials and tools (both online and in print) to help engage businesses around the shared goal of mitigating impact as a result of disaster. This includes Business Continuity training tools as well as guidelines helping to fulfill regulatory requirements. SME-related material was complemented by train-the-trainer workshops.

Impact: In 2016, the Sağlam Kobi project facilitated 49 training sessions organized across 17 cities in Turkey. Since the program's inception, more than 10,000 people have been included in the network and more than 1,400 businesses have participated in training. The engagement from the business community has ensured all stakeholders will be better prepared when the next disaster strikes.

**Source: <http://www.preventionweb.net/publications/view/53139>*

6.6.2 Humus Technology for Preventive and Post-Disaster Land Conservation[#]

Industry/Sector: Construction Infrastructure (Japan)

Introduction: Due to abundance of precipitous slopes, Japan historically has faced the risks of landslides and slope related disasters. Artificially manufactured humus materials, a humic substance that forms in soil after plant matter decays in nature, are beneficial to managing slopes and preventing disasters in public infrastructure projects. Recently, humus technology was used in national roadside slope stabilization works in Kagoshima prefecture and Kyoto prefecture. Furthermore, this technology was used to improve the water environment of enclosed coastal seas in Mie prefecture.

Risk: Landslide risks are on the rise in countries where climate change increases weather related disaster risk. At the same time, urbanization and other factors bring residences, infrastructure, lives and livelihoods close to exposed slopes. Slopes along roads and developed areas can be covered in concrete, but concrete degrades over time and maintenance costs can be high. A greening method is preferable but the speed of development as well as density of plant coverage may vary under natural conditions.

Action: Humus materials were effective for use in roadside slope stabilization, applied to encourage vegetation growth and speedy formation of roots that anchor the slope. Our company has developed a patented process that artificially manufactures two of the three main beneficial compounds in humus (humic and fulvic acid) from woodchips in a quantity suitable for use in public infrastructure projects.

Output: The application of humus materials goes beyond slope management. Humus material can be used for accelerating plant growth after forest fires, desalinating salt accumulated fields for farming, and increasing agricultural yield. Its

potential is even greater. Pine needles from a famous tourist attraction in Japan have been used as input material (replacing woodchips) to produce humus material for cosmetics. The cosmetics are marketed to tourists. The process recycles waste as well as partially absorbing cost for site maintenance.

Impact: The greening method with humus material was successful to stabilize slopes with growth of roots. Humus material promoted vegetation growth and prevented erosion on the surfaces of slopes. This method was cost-effective compared to the conventional method that slopes were covered in concrete. The availability of humus materials adds an environmentally friendly, effective, and inexpensive option for slope stabilization in infrastructure projects.

#Source: <http://www.preventionweb.net/publications/view/53123>

6.6.3 Case Study on Integrated and multi-faceted CSR Practices of Butwal Power Company Limited[@]

Industry/Sector: Hydropower (Nepal)

Introduction: Butwal Power Company (BPC) Limited is one of the leading companies in hydropower generation and distribution in Nepal. BPC recognizes its corporate social responsibilities and is committed to improving environmental, social and economic sustainability as an integral part of its processes. The best part of BPC's approach to CSR is that CSR practices are ***built-in*** rather than simply ***bolt-in***. The socially responsible aspirations are integrated in its vision, mission, values, goals, code of conduct, day-to-day business operations, and reporting practices.

Risk: Being a hydropower company with various projects located in hilly regions of the country, it is exposed to various natural disaster risks such as landslides, floods, and long-term climatic change and human induced disaster risks such as conflicts in the use of water & other natural resources, workplace accidents, and environmental degradation. Like other companies around the world, it is also exposed to biological risks such as COVID-19. Besides, the company is also exposed to operational and project execution risks.

Action: It clearly states in its mission statement that the company is committed to protect the environment, serve the communities where the company operates, and maximize value for all stakeholders. BPC has adopted ISO 9001:2015 (quality management system), ISO 14001:2015 (environmental management system) since 2005, and OH&S 45001:2018 (occupational health and safety management system) since last few years. Occupational Health and Safety Manual has been prepared and implemented incorporating the statutory obligations under Labor Act, 2074 and Labor Regulation, 2075. A well-developed Safety & Emergency Preparedness Plan is communicated amongst all to cope up with emergency situations like fire, floods, landslides, earthquake, pandemic etc. to further enhance the health and safety standards in the company.

All the employees have been insured with Medical and Group Personal Accident insurance policies. Emergency Preparedness and Response Plan and Standard

Operating Plan (SOP) have been issued for implementation against Coronavirus infection. Arrangement of daily measurement of temperature of employees and visitors, record keeping of visitors, use of mask and sanitizer, hand washing, maintaining social distance are implemented at Head Office and all sites. Personal Protective Equipment (PPE) have been kept at Head Office and all sites to use for rescuing any employee infected by the Coronavirus.

Moreover, the river training works are being carried out every year to protect the farmer's land against flood in the project affected areas. Likewise, the environmental impact of tree cutting and trimming of bushes and bamboos for distribution line expansion and maintenance is being minimized through the distribution of seedlings to the local communities as per need.

Further, as a part of the environmental development program, BPC has regularly been doing plantation and maintaining the plants in the premises of office building and Dhobikhola corridor/periphery adjacent to office building. BPC has also prepared and implemented waste management guideline. To control pollution, the system of regular maintenance of power plants, diesel generators, and vehicles is in place. If the construction and modification of transmission lines demand tree cutting, BPC facilitates the local communities in plantation of new plants as per the requirement. BPC has been contributing to environmental causes as per legal requirements such as IEE and EIA studies of the projects prior to construction. Besides, BPC is also committed to enhance the quality of life (QWL) of community people through community education and health, income generation programs, construction & maintenance of irrigation canals, financial support to social organizations, and so on.

The assets of the company are adequately insured for each fiscal year against operational risks and third party liability including materials damage. Potential cyber security risks such as server attack, data, fire, and physical access to resources are managed well by keeping the firewall systems, accessing server through Virtual Private Network (VPN), regular backup of data in multiple sources onsite/offsite including cloud in different seismic zone and anti-virus protection. Further, data center has been equipped with fire suppression system using Data Center Infrastructure Management (DCIM) to alert through alarm, SMS and email.

Last but not least, the company has spent Rs. 2,32,65,016 in FY 2077/78 in CSR activities, which is more than the statutory requirement of 1% of annual net profit. Annual report on CSR activities is reported to Department of Industry (DoI) as a part of compliance.

Output: Standard operating procedures and guidelines for managing internal operations and reducing disaster risks have been prepared and are in place. Several community projects have been completed and are well functioning.

Impact: BPC has been able to improve the QWL of community people in which it operates. The relationships with community and other stakeholders is very good. The company has been able to reduce various natural and human induced disaster

risks. Consequently, it has been awarded for the best managed company in hydropower sector. It has received national best presented annual report awards several times. The company was also awarded with 'International Blue Planet Award 2005' from International Hydropower Association, UK.

®Source: Developed by the author using information obtained from https://www.bpc.com.np/images/annualreport/Annual_Report_2021.pdf

6.6.4 Case Study on DRRM and Other CSR Practices of Siprodi Trading*

Industry/Sector: Automobiles (Nepal)

Introduction: Siprodi Trading is a leading automobile trading company in Nepal. Siprodi Sahayata Sanstha (SSS), a social foundation of Siprodi Trading, is a non-profit and non-governmental social organization serving those in need. The organization is registered in the District Administration Office and Inland Revenue Office of Birgunj, Parsa, Nepal. It is also affiliated with Social Welfare Council, Kathmandu. Since its establishment, in the year 2012, numerous social activities have been conducted in addressing various social causes including the activities in relation to disaster risk reduction, climate change adaptation, and the resilience of vulnerable communities. In these endeavors SSS cooperates with different stakeholders including the government, NGOs, and community-based partner organizations.

Risk: Being an automobile trading company, Siprodi Trading is exposed to safety risks due to poor road infrastructure, natural calamities such as floods and landslides, fire, and security threats. Besides, it is also exposed to operational, economic, and reputational risks. Sometimes, special interest groups such as environmentalists, may lobby for strict policies to automobile sector as they are one of the main sources of environmental pollution.

Action: On the occasion of National Earthquake Safety Day 2018 Siprodi provided earthquake safety training to more than 200 students at a government school in Sindhupalchowk district. Siprodi also provided trainings to its staff across 25 branches on first aid, use of fire extinguishers, and safety measures to employ. Besides the training and awareness on disaster risk preparedness, it is also contributing to the resilience of the victims of different types of disasters (such as earthquake, fire, storm, flood, and epidemics). SSS in coordination with local government authorities distributed food and other materials to the 265 families who survived a powerful rainstorm in Bara and Parsa districts of southern Nepal in 2019.

Along with providing humanitarian support to victims of natural disaster, SSS strongly believes in the right to education. Accordingly, SSS is promoting access to quality education by providing scholarships to the less privileged children as well as adult education in remote villages of Nepal, such as Chepang students in Ratnanagar, Chitwan. Likewise, with the financial assistance of Tata Trust and Tata Community Initiative, Siprodi Trading handed over a newly constructed community school building (Jalapadevi Secondary School) in Sindhupalchowk in 2019. The

infrastructure is earthquake resistant and differently-able people friendly. In partnership with Tata Trust and in coordination with Earthquake Rehabilitation Initiative, SSS is also getting involved in the reconstruction of seven community schools and health centers in the disaster affected areas of Nepal.

Sipradi is committed towards the sustainable methods that help to protect the environment by initiating annual tree plantation in all its branches throughout Nepal. Besides, it is also contributing to child rights, care and education awareness; water, sanitation and hygiene awareness; oral health awareness; yoga benefits awareness; vocational trainings; and many other social causes. All these activities are instrumental not only to the society and the needy people but also to gain social legitimacy and build a responsible business brand.

Interestingly, its various actions in society are not only philanthropic in nature but also aligned with its business operations and strategy. For instance, Sipradi Sahayata Sanstha and Sipradi Trading Pvt. Ltd. jointly organized a six months' (December 2, 2018 – May 31, 2019) Skill Up Training Program for various supply chain partners (such as authorized service centers, authorized garages, and others) so as to update their skills, help needy people earn their livelihood, and retain them in its business chain. In an annual event of Global Service camp, 1058 customers including 53 women drivers benefitted with free career counseling and 2378 customers benefitted with free safety awareness training. Likewise, 2278 drivers benefitted with technical awareness, road safety training, and fuel saving and economic driving tips. Recently, Sipradi has introduced *Tata Motors Self-Help Initiative* in which unemployed people who want to earn their livelihood by doing transport business can enjoy the financing facilities (without collaterals) in purchasing Tata vehicles.

Output: Employees, vehicle drivers, and community school students are trained on how to deploy safety measures when they confront various types of disaster risks. Several community projects including disaster-resilient school buildings have been completed and are well functioning.

Impact: Because of its quality and safety measures as well as socially responsible initiatives it has earned very good reputation in the Nepalese market. Besides, it has been able to reduce business risks and is also able to ensure customer attraction and loyalty.

**Source: Developed by the author using information obtained from <https://sipradiansahayata.com/> and information generated via. Interview.*

7. SUMMARY, CONCLUSION, IMPLICATIONS AND FUTURE DIRECTION

7.1 Summary and Conclusion

The corporate social responsibility (CSR) guidelines for the Nepalese government and the private sector outlined in this report can be regarded as an important step in putting CSR agenda, including DRRM issues, forward in Nepal.

Review of literature on CSR and interactions with private sector leaders and policymakers in Nepal indicate that the concept of CSR in Nepal is not well developed as in the developed country context. There are still narrow conceptualization of CSR which is mostly interchangeably used with philanthropic activities. Further, most of the organizations are undertaking CSR activities on an ad-hoc basis without any formal CSR policies and institutionalized practices. If forthcoming government policies and business practices go beyond merely philanthropic perspective to incorporate stakeholder, creating shared value (CSV) and other new paradigms of CSR with more institutionalized practices, it can create a win-win-win situation among business, society and the government.

Likewise, review of literature on disaster risk reduction and management (DRRM) and insights obtained through different interactive platforms (such as international symposium on DRRM held in Kathmandu) indicate that the existing DRRM practices in Nepal are mainly focused on post-disaster response and relief. Pre-disaster risk mitigation and preparedness activities are almost missing. Similarly, post-disaster reconstruction and recovery activities are also not adequate. The use of pre-disaster risk financing techniques is very limited in terms of both types and scale. If private sector could align a part of its CSR fund in pre-disaster and other DRRM activities properly according to the need of both business and its stakeholder (including local community), it could be instrumental in helping the nation achieve its mission of making Nepal a disaster-resilient nation.

Based on the review of relevant literature including legal provisions, stakeholder analysis, and the strategic needs of private sector firms in the Nepalese context, this report suggests the guidelines on CSR-SOP for the government. The proposed guidelines focus on making trade-offs between need of securing private sector's engagement in achieving the government's social goals and the need of business community to make their businesses competitive and disaster resilient. To this end, existing provisions vis-à-vis CSR in the Industrial Enterprise Rules, 2078 have been elaborated through the principles and parameters of CSR. Likewise, channels of implementing CSR programs, reward and punishment, CSR awareness programs, social audit and public hearing, CSR planning and reporting mechanisms, and coordination and collaboration mechanisms have been outlined for the sake of clarity and consistency in implementing CSR programs and projects by the Nepalese private sector.

It appears that the main reason behind the lack of institutionalization of CSR practices in Nepalese private sector firms is not mainly because of their reluctance to embrace CSR agenda but because of the lack of their expertise/competence in developing comprehensive CSR implementation guidelines. Therefore, to cater this need, this report also focuses on developing guidelines for the Nepalese private sector firms' better engagement in CSR with institutionalized practices. To this end, an overview of plan-do-check-report has been given. Likewise, CSR governance mechanism has also been suggested mainly for the institutionalization of CSR practices. Guidelines for formulating CSR policy, projects, and action plans can help firms to operationalize their socially responsible aspirations into day-to-day practices and also to adhere to legal requirements. CSR implementation, monitoring, evaluation, communication, and reporting guidelines are the other parts regarding the guidelines for private sector firms' better engagement in CSR in Nepal.

Handling DRRM issue is a priority agenda of the Nepal Government and it is mainly attended by the Ministry of Home Affairs. But, it is handled in coordination with other ministries as well. Industrial Enterprise Rules, 2078 (Article 43) has also put CSR vis-à-vis DRRM at the top in the list of scope of CSR activities. Against this context, this report also highlights the important CSR agenda vis-à-vis DRRM for the Nepalese private sector with the main emphasis on pre-disaster DRRM activities to proactively handle DRRM issues for the benefit of both business and society. Finally, some case studies in different parts of the world including Nepal portray the good CSR practices vis-à-vis DRRM.

In a nutshell, this report provides an integrated framework for embedding CSR practices with due emphasis on DRRM issues in Nepal so as a win-win-win situation among business, society and the government.

7.2 Implications

This guideline has a number of implications for the Nepalese private sector, government and the society. First of all, the literature review and CSR guidelines presented in this report can be the eye opener for Nepalese private sector firms for broadening their understanding of CSR as well as for putting socially responsible aspirations into day-to-day business practices. Second, this guideline can provide a clear roadmap for regulatory compliance in the context of recent legal provisions vis-à-vis mandatory spending on CSR for certain types of industrial enterprises and BFIs. Third, this guideline provides valuable insights into making business more disaster resilient and competitive.

It has certain implications to the government and policy makers as well. First, government and policy makers can take it as a reference document for policy amendments in future by understanding the fact that the role of the government is not only to provide "sticks" (i.e., mandatory provisions), but also to offer "sermons" (i.e., informational instruments) and "carrots" (i.e., fiscal-economic instruments such as awards). Second, it may help the government in developing the detailed CSR

standard operating procedure in line with the essence of CSR provisions included in the Industrial Enterprise Rules, 2078.

This guideline also several implications pointing to interesting avenues for general public, civil society organizations, and marginalized and vulnerable people in society. First, general public including the community people in which companies operate, can join their hands with the private sector firms to better address their pressing social issues through their engagement in CSR planning, implementation and evaluation process of private sector firms. Second, civil society organizations (CSOs) can join their hands with corporate sector through collaborative projects/programs based on the frameworks provided in this guideline. Third, this guidelines also gives some ideas on how marginalized and vulnerable people in the community or society can also take benefits from the private sector firms.

To sum up, it can be inferred that corporate social responsibility is not simply about aligning valuable corporate resources for social causes. Rather, when properly designed and implemented with the appropriate roles of all stakeholders, it can create additional value for all.

7.3 Future Direction

This document can be regarded as an important starting point towards the development of comprehensive and sector specific CSR guidelines for the government and the private sector in Nepal. Building upon the idea of this document as well as extensive review of literature and consultation with wide array of stakeholders, a more robust framework may be developed in future.

The government, private sector, and other stakeholders can play different roles to put CSR agenda forward in the Nepalese context. Specifically, it appears that amendment, elaboration, and simplification in existing legal provisions vis-à-vis CSR is highly essential in the near future. Moreover, in order to cover all private sector firms within the framework of mandatory CSR spending, it is better to incorporate such provisions in the Company Act itself. Further, government can also establish a specialized CSR agency to regulate and facilitate CSR related activities.

In addition to the CSR governance mechanism and other institutional arrangements, private sector firms can also develop their own comprehensive CSR policies and implementation as well as reporting guidelines. Among others, private sector firms can embrace DRRM as priority CSR agenda as it not only helps to comply legal requirements but also to minimize business risks and also to create additional value for business and society simultaneously. When a well-run business applies its vast resources and expertise to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization. However, media, academic commentators, NGOs/INGOs, and other stakeholders should also play certain roles in their own spheres of influence in order to create a safe, just and prosperous society.

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Annex-1
Consolidated CSR Plan

Section A: Industrial Enterprise Related Information

- A1. Fiscal Year (FY):
- A2. Name, Address, and Contact Number of the Enterprise:
- A3. Website and Email Addresses:
- A4. Type of the Enterprise and Fixed Capital:
- A5. Main Objective of the Enterprise:
- A6. Registration Number and Registered Authority:
- A7. Annual Sales Turnover of Immediate Past FY:
- A8. Annual Net Profit of Immediate Past FY:
- A9. Mandatory CSR Budget of this FY (@1% of Annual Net Profit):
- A10. Allocated CSR Budget of this FY:
- A11. Carryover of Mandatory CSR Obligation from the Previous Years, if any (A11 of Annex-2):
- A12. Total CSR Budget for this FY:
- A13. Mandatory CSR Obligation (A9 + A11):
- A14. Web links of CSR Policy and Programs/Projects (if any):

Section B: CSR Program/Project and Budget

S. N.	Program/Project Description	Area of CSR Spending	Allocated Budget		Working Model (Self/Coll./IP)	Program/Proj. Location (Local/Other)	Remarks
			Program Budget	Adm. Budget			
1.							
2.							
...							
Total							

Date:

Name of CSR Focal Person (FP):

Designation:

Signature:

Contact Number (FP):

Email Address (FP):

Annex-2
Consolidated CSR Spending Report

Section A: Industrial Enterprise Related Information

- A1. Fiscal Year (FY):
- A2. Name, Address, and Contact Number of the Enterprise:
- A3. Website and Email Addresses:
- A4. Type of the Enterprise and Fixed Capital:
- A5. Main Objective of the Enterprise:
- A6. Registration Number and Registered Authority:
- A7. Total CSR Budget of Immediate Past FY (as per Annex1/A12):
- A8. Total CSR Expenses in Immediate Past FY:
- A9. Total Unspent Amt. of Mandatory CSR Obligation (Annex1/A13 – Annex2/A8): ...
- A10. Penalty Amount (if any):
- A11. Carry Forwarded Amount for the Next FY (A9 + A10):
- A12. Cumulative CSR Spending up to the Reporting Period:
- A13. Web links of CSR Policy and Programs/Projects (if any):

Section B: CSR Program/Project and Budget

S. N.	Prog./ Project Descript.	Area of CSR Spending	Allocated Budget		Actual Expenses		Rem. Amt.		Working Model (S/C/IP)	Prog./ Proj. Loct. (I./oth.)	Rem.
			Prog. Budg.	Adm. Budg.	Prog. Exp.	Adm. Exp.	Prog.	Adm.			
1.											
2.											
...											
Total											

I, the undersigned, certify that this report correctly portrays the various aspects of CSR spending of the enterprise. If anything is proved to be false, I accept to face the consequences according to the prevailing laws of the country.

Date:

Name of CSR Focal Person (FP):

Designation:

Signature:

Contact Number (FP):

Email Address (FP):

Annex-3
Certification of CSR Spending

Date:

To:

.....
.....

Subject: Certification of CSR Spending.

According to the details submitted by this Enterprise to our Department, following amounts vis-à-vis CSR spending have been approved.

1. Allocated Budget for CSR:
2. Actual Spending on CSR:
3. Carry Forwarded Amount for the Next FY:

Note: Consolidated CSR Spending Report is attached herewith.

.....
Section Officer

CC:

Inland Revenue Office,

Annex-4

CSR Plan of Collaborative CSR Programs/Projects

Section A: Details of Parties Involved in Collaboration

A1. Name, Address, Contact Details, and Sector of the Enterprise (1st Party)

.....

A2. Name, Address, Contact Details, and Sector of the 2nd Party Organization

.....

A3. Name, Address, Contact Details, and Sector of the 3rd Party Organization

.....

A4. Name, Address, Contact Details, and Sector of the 4th Party Organization

.....

Section B: Program/Project Details

Project Name:

Project Duration: to

Project Details:

S. N.	Program/ Project Descript.	Area of CSR Spending	Budget Share of the Enterprise (1 st Party)		Budget Share of the Second Party	Budget Share of the Third Party	Budget Share of the Fourth Party	Program /Project Location	Remarks
			Program Budget	Adm. Budget					
1.									
2.									
...									
Total									

Signatories:

.....
(Name)	(Name)	(Name)	(Name)
(Organization 1)	(Organization 2)	(Organization 3)	(Organization 4)
Date:	Date:	Date:	Date: