Unlocking Corporate Capital for Social Innovation

A comparative analysis of national models on Corporate Tax Responsibility and design principles for new legislation

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Executive Summary

The global SDG financing gap stands at an estimated USD 3.9 trillion per year,[1] a shortfall that public budgets alone cannot bridge. Meanwhile, the world's largest corporations collectively hold cash reserves in excess of USD 8 trillion and, in most cases, generate effective tax rates far below statutory levels through profit-shifting and treaty arbitrage.[2] **This structural asymmetry has revived a long-standing policy question: should profitable corporations be legally required to invest a fraction of their earnings in public welfare?**

Several countries have answered this question affirmatively. Mandatory corporate social responsibility (CSR), or, more precisely, mandatory corporate social investment, is one policy lever that governments can use. It establishes a predictable minimum contribution from profitable companies for eligible social or environmental purposes. It should not replace taxation, public expenditure, labour and environmental compliance, or compensation for harm. Its legitimacy depends on additionality, transparent governance, and demonstrable public benefit.

India and Mauritius operate the two broadest and longest-running mandatory spending regimes[3] and provide an unmatched empirical basis for evaluating what works, what fails, and what can be improved. Both use broad 2% profit-linked frameworks, but with contrasting governance models.

The global landscape is wider, however. Nepal requires covered industries to set aside at least 1% of annual net profit for CSR. Qatar finances a central social and sports support fund through a 2.5% levy on the net profit of listed companies. Indonesia imposes a CSR duty on companies connected to natural resources without a national fixed rate. South Africa uses a 1% net profit after tax socio-economic development target in the B-BBEE scorecard. Kenya requires mining community development agreements supported by at least 1% of annual gross revenue. **These cases show that mandatory CSR is not a single model but a range of approaches that differ in legal character, company scope, contribution basis, allocation discretion, and enforcement mechanisms.**

Key Findings

- **Scale achieved:** India's NSE-listed companies alone have spent INR1.24 lakh crore (USD 12.9 billion) on CSR over the decade to FY 2023–24, with annual spending up 174% and spending against the prescribed obligation rising from 78% to 98%.
- **Governance matters:** India (decentralised) and Mauritius (centralised) each achieve high compliance but face distinct vulnerability profiles. Neither model eliminates corruption; they shift the loci to where responsibility for addressing it should lie.
- **Impact deficits persist:** Procedural compliance does not guarantee substantive impact. India's 2024 INR800 crore (USD 83.5 million) fraud case demonstrates that formal compliance can coexist with zero social benefit.
- **Geographic concentration:** In India, six states absorb 60% of CSR funds, while aspirational, most underdeveloped districts receive less than 20%.
- **Design principles matter at inception:** Policy innovations including blockchain traceability, outcome-based financing, and tiered contribution rates can be built into new legislation before, not after, implementation failures emerge.

Governance: a Choice Between Risk Profiles

Centralised and decentralised governance carry fundamentally different risk profiles. Decentralisation disperses decision-making and can be agile, but it increases the number of relationships to monitor and may amplify geographic concentration. Centralisation can align spending with public priorities, but it creates a powerful gatekeeper. A well-designed hybrid can reserve a defined share for underserved priorities or pooled programmes while preserving company discretion within clear guardrails. Whether this works depends on institutional capacity, the depth of civil society, public finance rules, and the availability of reliable data.

Six Design Requirements

Drawing lessons from the cross-country analysis, six design principles follow. First, **coverage and rates must be calibrated through fiscal modelling**. Thresholds should capture economically significant firms without overwhelming regulators, while multi-year averaging can reduce volatility. Second, **governance roles must be explicit and designed to minimise conflicts of interest**. Third, **enforcement should be civil, graduated, and predictable**, with clear treatment of unspent amounts and appeal rights. Fourth, **transparency infrastructure should be operational from the first reporting year**, including machine-readable filings, project identifiers, recipient ownership information, and disbursement records. Fifth, **outcome requirements should be proportionate**. Small projects need basic evidence of completion, while large or multi-year projects should use theories of change, baseline data, outcome indicators and independent evaluation. Sixth, **the instrument must fit the economy**. Extractive sectors may justify a revenue-based contribution and formal community agreements. Small island states may need pooled delivery or regional cooperation. Islamic-finance jurisdictions may coordinate CSR with zakat and waqf institutions while

Technology and Financing Instruments

Digital traceability can strengthen control, but legislation should remain technology-neutral. The essential requirement is an interoperable, auditable chain linking the corporate obligation, payment, implementing entity, project milestones, and beneficiary feedback. Distributed-ledger technology may be piloted where it adds value, but it is not a substitute for institutional accountability. Outcomes-based contracts and social impact bonds may be useful for selected interventions with measurable outcomes and stable data, but they should not be presented as universal solutions. Matching grants or recognition for spending above the legal floor can support additionality, provided the incentive does not weaken the mandatory obligation.

The Need for International Coordination

International coordination also matters. Open economies and small states are exposed to profit shifting and regulatory competition. International coordination could help by developing common definitions, data standards and anti-avoidance principles, while allowing national variation. The proposed Global Impact Delivery Levy should therefore be treated as a consultation framework rather than a ready-made global tax. Suggested rates of 2%, 3%, and 7% are illustrative and require economic modelling, distributional analysis, and interaction with corporate taxation, investment law review, and political agreement. International cooperation could begin by sharing reporting standards, learning from one another, and recognising equivalent national systems.

A Responsible Pathway in Five Stages

Governments willing to move towards mandatory CSR obligations can follow a responsible pathway in five stages. First, define the policy problem and what additional resources the policy is intended to generate. Second, map the national corporate base and model likely revenue under alternative thresholds and bases. Third, assess legal classification, constitutional authority, tax interaction, investment implications and administrative costs. Fourth, consult companies, trade unions, civil society, communities, tax authorities and subnational governments. Fifth, pilot the reporting, allocation and verification architecture before full-scale implementation. Baseline data and an independent evaluation plan should be approved before the first contributions are collected.

The Bottom Line

The bottom line is that mandatory corporate social investment can create a stable, visible floor for private-sector contributions to public priorities. India demonstrates scale; Mauritius shows the possibilities and tensions of pooled governance; Nepal, Qatar, Indonesia, South Africa, and Kenya broaden the range of models available to policymakers. CSR provides companies with an opportunity to address stakeholder concerns and should not be viewed as an additional burden on business.

Yet, none of these models establishes that money spent equals impact. The decisive policy task is therefore not simply to mandate a percentage. It is to build a system in which the obligation is additional, the allocation is fair, the delivery is verifiable, communities can challenge failures, and the results are publicly understood. That is the standard against which any new legislation, national or international, should be judged.

How This Report Is Structured

This report presents evidence from a series of country cases, situates them within a broader global taxonomy of CSR governance models, and derives design principles for policymakers considering mandatory CSR legislation. The final sections propose an outline for a Global Impact Delivery Levy (GIDL) framework and offer a phased implementation roadmap. The document is structured as follows: Chapter 2 motivates the use of mandatory CSR as a policy instrument. Chapter 3 surveys the global landscape. Chapters 4 and 5 provide detailed case studies of India and Mauritius. Chapter 6 offers comparative analysis drawing on lessons learned from additional countries. Chapter 7 derives design principles. Chapter 8 and 9 outline a global coordination framework and implementation strategy.

Table of Abbreviations

Abbreviation	Meaning
B-BBEE	Broad-Based Black Economic Empowerment
BEPS	Base Erosion and Profit Shifting
CA / CAs	Chartered Accountant / Chartered Accountants
CARICOM	Caribbean Community
CBGA	Centre for Budget and Governance Accountability
CEO / CEOs	Chief Executive Officer / Chief Executive Officers
CII	Confederation of Indian Industry
CSR	Corporate Social Responsibility
CSR-1	Form CSR-1 - Registration of Entities for Undertaking CSR Activities
CSRD	Corporate Sustainability Reporting Directive
DAIICT	Dhirubhai Ambani Institute of Information and Communication Technology
ECGI	European Corporate Governance Institute
ELP	Economic Laws Practice
ESG	Environmental, Social and Governance
EU	European Union
FLM	Faculty of Law & Management
FSC Mauritius	Financial Services Commission, Mauritius
FSSH	Faculty of Social Sciences & Humanities
FY	Financial Year
G20	Group of Twenty
GIDL	Global Impact Delivery Levy
GO Lab	Government Outcomes Lab
GRI	Global Reporting Initiative
HDFC	Housing Development Finance Corporation

Abbreviation	Meaning
ICB	International Coordination Body
IIM Ahmedabad	Indian Institute of Management Ahmedabad
IMF	International Monetary Fund
INR	Indian Rupee
IODSA	Institute of Directors in South Africa
JEC	Joint Economic Committee
JETIR	Journal of Emerging Technologies and Innovative Research
KPI / KPIs	Key Performance Indicator / Key Performance Indicators
KPMG	Klynveld Peat Marwick Goerdeler
LSE	London School of Economics and Political Science
MCA	Ministry of Corporate Affairs
MEF	Mauritius Employers Federation
MENA	Middle East and North Africa
MNC / MNCs	Multinational Corporation / Multinational Corporations
MRA	Mauritius Revenue Authority
MUR	Mauritian Rupee
N/A	Not Applicable
NDB	National Development Board
NGO / NGOs	Non-governmental organisation / Non-governmental organisations
NITI Aayog	National Institution for Transforming India
NSE	National Stock Exchange
NSIF	National Social Inclusion Foundation
NW	Net Worth -
OECD	Organisation for Economic Co operation and Development
PM	Prime Minister

Abbreviation	Meaning
PMC	PubMed Central
pp	Percentage points
PSU	Public Sector Undertaking
ROI	Return on Investment
SASAC	State-owned Assets Supervision and Administration Commission of the State Council (China)
SDG / SDGs	Sustainable Development Goal / Sustainable Development Goals
SIB / SIBs	Social Impact Bond / Social Impact Bonds
SIDS	Small Island Developing States
SOE / SOEs	State-owned Enterprise / State-owned Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
TCFD	Task Force on Climate-related Financial Disclosures
TO	Turnover
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNODC	United Nations Office on Drugs and Crime
USD	United States Dollar
approx.	Approximately
cr	Crore
M	Million

Chapter 2

Introduction: Why Mandatory Corporate Social Responsibility?

2. Introduction: Why Mandatory Corporate Social Responsibility?

2.1. Theoretical Foundations: From Philanthropy to Obligation

Corporate Social Responsibility (CSR) has evolved through three broad phases over seven decades, from discretionary charity, to a legal obligation, to a mainstream capital market standard.[7] The arc matters for policymakers because it reveals why voluntary approaches eventually fall short, and what conditions make a mandatory framework politically and legally sustainable.

Phase 1	Phase 2	Phase 3
Voluntary Philanthropy	Mandatory Obligation	ESG Integration
1953 – 2008	**2009 – 2015**	**2016 – present**
CSR as business goodwill and reputational strategy. Discretionary, fragmented, and image-driven.	CSR codified in company law. Mauritius (2009) and India (2013) pioneer mandatory 2% spending rules.	CSR embedded in investment frameworks and disclosure law. EU CSRD, TCFD, and SDG reporting reshape norms.

Voluntary approaches proved insufficient to mobilise resources at scale.

The key inflection point came in 2009. For the first time, a national government moved CSR from an expectation to a legal requirement. Mauritius's decision to mandate spending marked a major shift from earlier thinking, particularly that of Bowen and Caroll, which always viewed CSR as voluntary. The Mauritian model challenged that assumption. Four years later, India introduced its own mandatory CSR framework.

Today, CSR allows organisations to become more sustainable by addressing stakeholder concerns, especially those of communities impacted by business activities. As such, it should be regarded as an opportunity to integrate sustainability into business operations.

2.2. The Failure of Voluntary CSR

Corporate social responsibility is not a new idea. For decades, companies have voluntarily donated to charities, published sustainability reports, and supported social causes. However, evidence indicates that voluntary CSR fails to mobilise private resources at the scale required to address systemic social challenges.

Several structural limitations explain this underperformance. First, voluntary giving is fragmented. Thousands of companies pursue uncoordinated projects in overlapping geographies, leading to duplication in some areas and complete absence in others. Second, voluntary CSR may often be image-driven rather than needs-driven. Academic research from the European Corporate Governance Institute finds that corporate donations frequently serve as a private benefit of control for CEOs, who direct firm resources to personally affiliated charities rather than highest-need causes. The estimated marginal value of cash is 8.1 cents lower if a firm raises its corporate giving from the sample median to the 75th percentile, and the first disclosure of a "charity award" to an insider-affiliated charity draws a three-day cumulative abnormal return of −0.87%.[8] Third, voluntary contributions typically account for less than 1% of net profits, even among the largest corporations, far below what meaningful social investment requires.

A 2024 analysis in the *Stanford Social Innovation Review* concluded that "dramatic advances in the scale and sophistication of strategic philanthropy have not improved societal conditions at a national level." It also found that "the restrictions on foundation lobbying have had a profoundly chilling effect on the nonprofit sector's willingness to engage in political activity or even to protect the most basic functioning of our democracy."[9]

2.3. Corporate Fiscal Capacity vs the Public Welfare Gap

The case for mandatory corporate contributions rests on a fundamental asymmetry. Corporations have benefited from public goods including an educated workforce, stable legal systems, and physical infrastructure, while their contribution to funding these goods has declined in relative terms.

Across OECD countries, effective corporate tax rates have fallen from an average of 33% in the 1980s to below 22% today, partly through legitimate tax planning and partly through profit-shifting to low-tax jurisdictions. The OECD estimates that base erosion and profit shifting (BEPS) costs governments USD 100–240 billion annually in foregone revenue, equivalent to 4–10% of global corporate income tax receipts.[10]

This strengthens the case for mandatory CSR. If businesses benefit from the societies in which they operate while minimising their tax contributions, requiring a minimum level of social investment can make it an obligation rather than charity. The OECD's comprehensive 40-country review on taxation and philanthropy confirms that tax incentives for philanthropic giving effectively reallocate tax revenue toward donor-preferred causes, with wealthier donors receiving larger effective subsidies—an outcome that mandatory CSR frameworks can partially correct.[11]

2.4. The Systemic Scale Argument

Individual corporate philanthropy, however well-intentioned, cannot solve systemic large-scale problems such as climate change, educational inequality, and gaps in public health. These challenges require collective action and coordinated investment at scale. Large companies can also bring resources and capabilities that governments may lack, including operational efficiency and cross-sectoral expertise.

The strategic philanthropy literature sets out cost-benefit and cost-effectiveness methods for valuing corporate giving that combine business benefits with social impact.[12] This suggests that mandatory frameworks that direct corporate competencies toward identified social priorities can generate social returns that substantially exceed the cost of the mandate.

Stanford political scientist Rob Reich's political-philosophical critique of large philanthropy is that it constitutes an exercise of power and can give wealthy private actors significant influence over public priorities without the accountability expected of governments.[13] Similarly, author Anand Giridharadas has argued that wealthy elites use philanthropy to address social problems in ways that never threaten the structural advantages that generated their wealth.[14] These arguments strengthen the argument for greater accountability and oversight of corporate social spending.

2.5. From Discretionary Philanthropy to Binding Obligation

The conceptual transition from voluntary CSR to mandatory spending involves a fundamental reframing: corporate social investment moves from an expression of corporate values to a component of corporate governance and legal compliance. This shift carries implications for enforcement, accountability, and measurement that voluntary approaches do not face. India and Mauritius have taken different approaches, providing valuable lessons for policymakers considering mandatory CSR.

Chapter 3

Global Policy Landscape

Global Policy Landscape

3.1. A Taxonomy of Corporate Social Responsibility Models

Mandatory CSR legislation exists on a spectrum from fully voluntary frameworks with government encouragement, through mandatory disclosure, to mandatory spending. This section groups these approaches into four broad categories.

Category 1: Mandatory Spending (India, Mauritius)

The most prescriptive model requires eligible companies to spend a defined percentage of profits on qualifying social activities. As of 2026, India and Mauritius operate the two broadest and longest-running mandatory spending regimes.[15] Both mandate a 2% contribution, though the governance mechanisms differ fundamentally (see Chapters 4 and 5). Over time, other jurisdictions have adopted a statutory spending floor: Nepal (1% of annual net profit for covered industries) and Qatar (a 2.5% levy on listed companies) impose quantified obligations of their own, and Kenya requires a revenue-based community development contribution in mining (see Chapter 6).

Category 2: Mandatory Obligation, Flexible Spending (Indonesia)

Indonesia's Company Law (Article 74, 2007) and Government Regulation 47/2012 require companies operating in natural resource sectors to conduct CSR activities, but leave the nature and level of spending to the firm's discretion.[16] Enforcement is uneven, and no central database tracks compliance or outcomes.

Category 3: Mandatory Disclosure and Due Diligence (EU, South Africa)

The European Union's Corporate Sustainability Reporting Directive (CSRD), which became fully effective in 2024, mandates that approximately 50,000 companies disclose environmental, social, and governance (ESG) metrics in line with the European Sustainability Reporting Standards.[17] Non-compliance carries reputational and regulatory penalties, but the CSRD does not mandate any specific level of spending.

South Africa's Broad-Based Black Economic Empowerment (B-BBEE) framework uses a scorecard system influencing government procurement eligibility. The King IV Code on Corporate Governance (2016) further embeds integrated reporting expectations as a part of good corporate governance.[18]

Category 4: Voluntary Plus Quasi-Mandatory (China, Pakistan, Nordic Countries)

China's *Guidelines for State-owned Enterprises Fulfilling Social Responsibilities* (2008) and subsequent directives from the State-owned Assets Supervision and Administration Commission (SASAC) create strong quasi-mandatory expectations for state-owned enterprises. Pakistan's voluntary CSR Guidelines (2013) lack enforcement mechanisms. Nordic countries combine strong cultural norms, voluntary reporting standards, and government encouragement to achieve high rates of corporate social investment rather than relying on legal mandates.

3.2. Country Comparison

Table 3.1 summarises key features of the country frameworks reviewed in this study that pertain to CSR and related sustainability or ESG approaches.

In Western and Nordic contexts, voluntary or mandatory approaches are more closely linked to ESG and sustainability principles, which differ from India's definition of CSR. Once CSR became a legal spending requirement in India, it shifted toward prescribing how profits should be allocated, rather than focusing on responsible practices throughout business operations.

CSR can therefore be understood as a project- or activity-based mechanism, not merely a funding mechanism, focused on external community initiatives. This differs from ESG, which includes both internal and external dimensions. While ESG represents the broader responsible business framework, CSR is included within it (for example, Principle 8 of India's National Guidelines on Responsible Business Conduct, also reflected in the Business Responsibility and Sustainability Reporting), meaning the two are related rather than entirely separate.

Table 3.1 Global Country Comparison

Country	Type of CSR framework	Legal or policy instrument	Contribution rate, threshold or obligation	Companies or sectors covered	Fund management or allocation
China	Quasi-mandatory CSR framework for central SOEs	SASAC Guiding Opinions on High-Standard Fulfilment of Social Responsibility by Central SOEs (2024).	No fixed percentage. Central SOEs must integrate social responsibility into governance and operations, with internal funding, reporting and evaluation arrangements.	Central state-owned enterprises supervised by SASAC.	Company-led under SASAC supervision; no national pooled fund. Priorities include compliance, employee welfare, safety, green development, rural revitalisation and public welfare.
EU	Mandatory sustainability reporting and due diligence; no CSR spending mandate	EU Directive 2022/2464 (CSRD) and Directive 2024/1760 (CSDDD), as amended by Directive 2026/470.	No spending percentage. CSRD: more than 1,000 employees and EUR 450 million net turnover. CSDDD: at least 5,000 employees and EUR 1.5 billion net turnover.	Large EU companies or groups and qualifying non-EU companies operating in the EU.	Company-led reporting and due-diligence systems, supervised by Member States. No pooled CSR fund or prescribed project allocation.
India	Broad mandatory company-level CSR spending	Companies Act 2013, s.135; CSR Policy Rules; Schedule VII.	At least 2% of the average net profit of the previous three financial years. Applies where any trigger is met: net worth ≥ INR 500 crore; turnover ≥ INR 1,000 crore; or net profit ≥ INR 5 crore.	Qualifying Indian companies and qualifying foreign companies.	Board-approved, decentralised spending through own projects or eligible CSR-registered implementers. Statutory rules govern unspent amounts, disclosure and prescribed impact assessment.
Indonesia	Mandatory social and environmental responsibility with flexible spending	Law No. 40 of 2007 on Limited Liability Companies, art.74; Government Regulation No. 47 of 2012.	No universal percentage. The cost is budgeted as a company expense, taking propriety and reasonableness into account.	Companies conducting business in, or related to, natural resources.	Company-led through annual work plans and budgets; sectoral and subnational rules may add procedures or priorities. There is no single national CSR pool.
Kenya	Sector-specific mandatory community development contribution	Mining Act 2016; Mining (Community Development Agreement) Regulations 2017.	At least 1% of gross revenue from mineral sales in each calendar year.	Mining-licence or special-mining-lease holders required to maintain a community development agreement.	Projects are agreed through a community development agreement. The licence holder disburses solely for agreed projects, reports annually and may not make direct cash payments to committee or community members.

Mauritius	Broad mandatory CSR Fund; hybrid pooled/ Company managed model	Income Tax Act 1995, s.50L and Tenth Schedule (consolidated 2026).	CSR Fund equal to 2% of the preceding year's chargeable income. From 1 January 2026, at least 50% is remitted to the Director-General; the permitted balance may be company managed.	Taxable companies, subject to statutory exclusions.	MRA collects the remitted portion. Companies use the balance under statutory rules; unspent company-managed amounts are remitted. Current law creates a hybrid rather than a fully centralised model.
Nepal	Broad mandatory industrial CSR spending	Industrial Enterprises Act 2020, CSR Implementation Procedure 2082 (published by the Department of Industry).	At least 1% of annual net profit in each fiscal year.	Every medium or large industry, plus cottage/small industries with annual turnover above NPR 150 million.	Industry-led annual plans and programmes. Expenditure and completed programmes are reported to the relevant industry registration body within six months after year-end; the amount is deductible as an expense for income-tax purposes.
Nigeria	Sector-specific mandatory host-community development contribution	Petroleum Industry Act 2021, Host Communities Development Regulations 2022.	3% of the settlor's actual annual operating expenditure in the preceding financial year, attributable to upstream operations affecting the host communities.	Holders of upstream petroleum licences or leases and other settlers covered by the Act.	Each Host Communities Development Trust allocates 75% to a capital/project fund, 20% to a reserve fund and no more than 5% to administration/special projects. NUPRC approves and oversees trusts, plans and reporting.
Qatar	Mandatory pooled social and sports levy (CSR-adjacent)	Law No. 13 of 2008; Emiri Resolution No. 44 of 2010 establishing the Social and Sport Contribution Fund (DAAM).	2.5% of annual net profit.	Shareholding companies listed on the Qatar Stock Exchange.	Central pooled contribution channelled to DAAM rather than directed by each company.
South Africa	Procurement- and market-linked B-BBEE scorecard	Broad-Based Black Economic Empowerment Act and Codes of Good Practice; Socio-Economic Development element.	Generic scorecard target of 1% of net profit after tax for full Socio-Economic Development points. This is a scorecard target, not a tax or universal statutory spending floor; sector codes may differ.	Measured entities seeking B-BBEE recognition relevant to public procurement, licensing, supply chains, and commercial opportunities.	Company-selected qualifying contributions are independently measured/verified under the applicable code. No national pooled fund and beneficiary criteria apply.

These country models are illustrated more in depth through Chapters 4, 5 and 6.

3.3. Key Takeaway: The Unique Status of India and Mauritius

Despite the proliferation of CSR-related regulation globally, mandatory spending requirements remain rare. India and Mauritius represent a genuine natural experiment in mandatory corporate social investment, offering policymakers more than a decade of real-world evidence that disclosure-only and quasi-mandatory frameworks cannot provide.[19]

Chapter 4

In-depth case study: India

In-depth case study: India

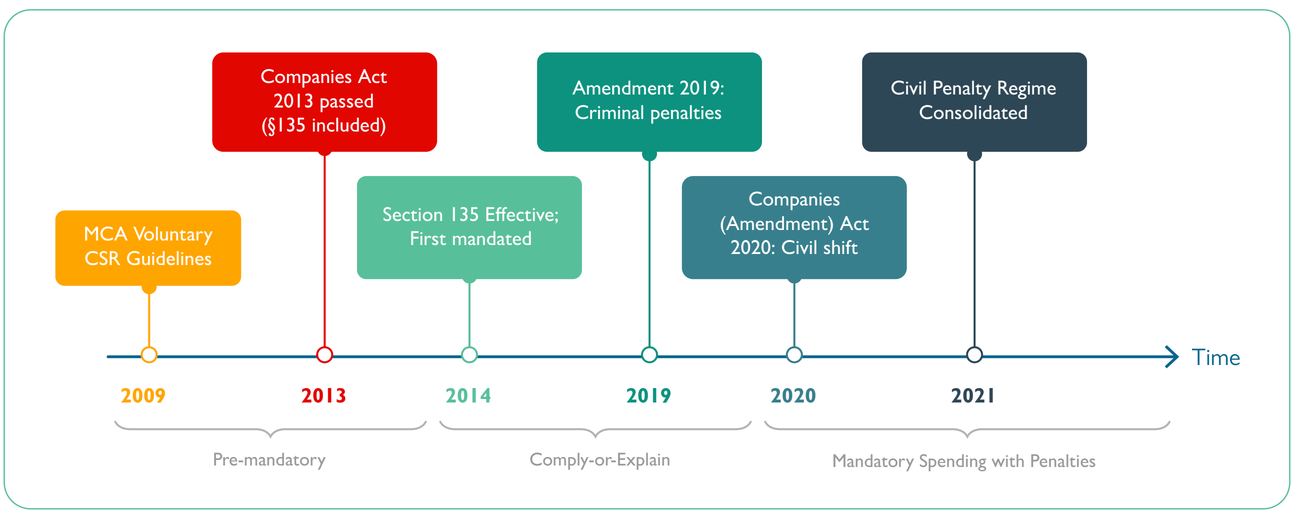
India's mandatory CSR framework, established under Section 135 of the Companies Act 2013, is the world's largest mandatory corporate social investment mechanism. In India, many corporates and business houses had traditionally been engaging in such activities, but in an unstructured way. With the introduction of the Act, established organisations adopted it quickly, although some still face difficulties.

More than a decade of implementation has generated substantial evidence on compliance dynamics, how funds are allocated, governance vulnerabilities, and whether procedural compliance translates into real impact.

4.1. Legislative Evolution

India's path to mandatory CSR spans more than a decade of incremental policy development, as illustrated in **Figure 4.1.**

Figure 4.1 India CSR Legislative Evolution (2009–2021)



Phase 1 (2009–2013): Voluntary foundation. The Ministry of Corporate Affairs (MCA) issued the first voluntary CSR Guidelines in 2009, encouraging large companies to invest 1–2% of net profit in social causes.[20] Adoption was limited and uneven. The Gandhian trusteeship model, considered to be the philosophical antecedent to mandatory CSR in India, held that large property owners must act as trustees of society. This idea resurfaced in the policy discourse preceding the 2013 legislation.[21]

Phase 2 (2013–2019): Mandatory obligation, comply-or-explain. The Companies Act 2013 introduced Section 135, requiring eligible companies to constitute a Board-level CSR Committee, formulate a CSR Policy, and spend (or explain non-spending).[22] Non-compliance did not attract penalties, creating a 'comply-or-explain' dynamic. Section 135 of the Companies Act 2013 required eligible companies to establish a Board-level CSR Committee, adopt a CSR Policy, and fulfil prescribed CSR spending requirements or provide an explanation for any shortfall. In the absence of penalties for non-compliance, the regime relied on a comply-or-explain approach.

Phase 3 (2019–2021): Criminal, then civil penalties. A 2019 amendment introduced criminal liability for company officers failing to comply with CSR requirements.[23] Following criticism that criminal penalties were disproportionate, the Companies (Amendment) Act 2020 replaced criminal penalties with civil penalties of up to INR 1 crore (USD 104,342) for the company and INR 2 lakh (USD 2,080.72) for officers.[24] This calibrated approach proved effective at driving compliance.

4.2. Framework Mechanics

4.2.1. Eligibility Thresholds

Companies are required to comply if they meet any one of three criteria in the preceding financial year: they have a net worth of INR 500 crore (approximately USD 52.2 million) or more, turnover of INR 1,000 crore (USD 104.32 million) or more, or net profit of INR 5 crore or more.[25] The low net profit threshold of INR 5 crore (USD 0.52 million) is notably inclusive and brings a large number of mid-sized firms within the scope of the CSR framework.

4.2.2. Contribution Calculation

The mandated contribution is 2% of the average net profit calculated over the three immediately preceding financial years.[26] Using a three-year average smooths the effect of cyclical profit swings and provides regulatory predictability.

4.2.3. Governance Structure

Each covered company must constitute a Board-level CSR Committee with a minimum of three directors, including at least one independent director. The company must also formulate and publish a CSR Policy aligned with Schedule VII activities, meet its required CSR spending, and publish an Annual CSR Report as part of the Directors' Report. Any unspent funds must be transferred to designated government funds within 30 days of the financial year end.[27]

4.2.4. Eligible Activities

Schedule VII of the Companies Act lists qualifying activities across ten broad categories.[28] These include eradicating extreme hunger and poverty, promoting education, promoting gender equality, combating diseases, ensuring environmental sustainability, protecting national heritage, promoting sports, contributing to PM's relief funds, rural development projects, and Swachh Bharat initiatives.

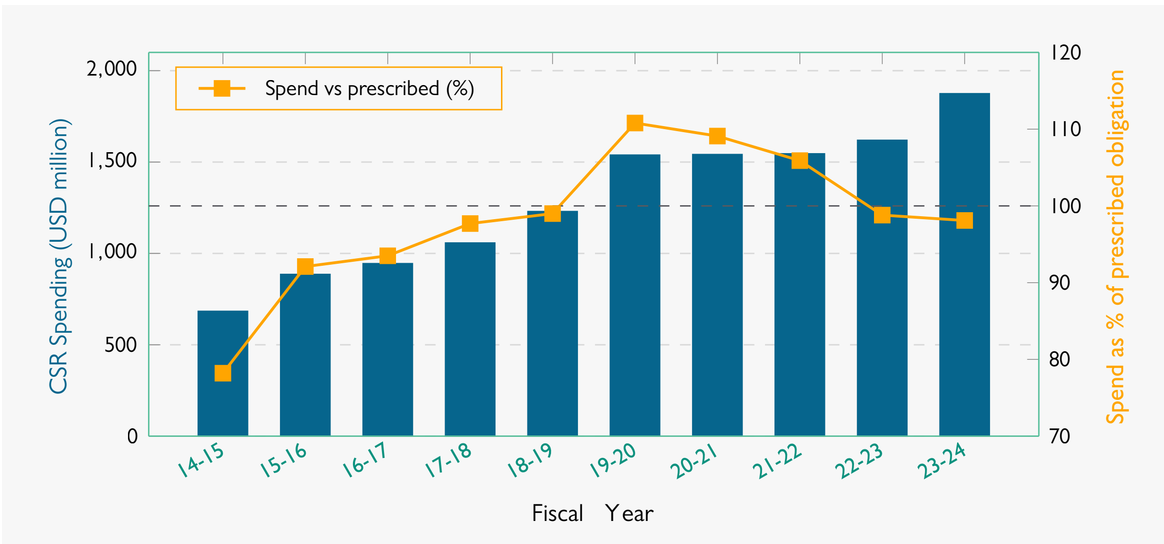
CSR law is fundamentally board-driven, encouraging businesses to use their expertise and innovation to contribute to national priorities, potentially creating multiplier effects. Recent amendments emphasise increased disclosures, reinforcing CSR as a board-level responsibility.

4.3. Implementation Evidence

4.3.1. Spending Trends

Figure 4.2 the trajectory of annual CSR spending by NSE-listed companies from FY 2014–15 to FY 2023–24, together with what those companies spent as a proportion of the amount the mandate prescribed for them. [29]

Figure 4.2 India CSR: Annual Spending and Compliance Rate



Note: Annual Spending (bars, left axis) and spending against the prescribed obligation (line, right axis), FY 2014–15 to FY 2023–24. Companies listed on the NSE main board. Spending is converted from INR at a constant INR95.9/USD across all years, so the series reflects growth in the mandate rather than exchange-rate movement.

4.3.2. Key Performance Metrics

The trajectory indicates that civil penalties are effective at driving compliance. Listed companies spent only 78% of their prescribed obligation in the first mandated year, but closed that gap within five years and have since settled at 98–99%—briefly exceeding 100% between FY 2019–20 and FY 2021–22, when aggregate spending ran ahead of the prescribed amount. Participation is now near-universal: 1,367 of the 1,394 obligated companies spent something in FY 2023–24. The shift from criminal to civil enforcement in 2020–21 did not reduce compliance, while the more proportionate approach appears to have consolidated it.[30]

In parallel, India has developed strong mechanisms for needs assessments and baseline studies. Impact assessment reports are now mandatory and must be publicly disclosed.

Table 4.1 India CSR: Key Performance Metrics

Metric	FY 2014–15	FY 2023–24	Change
Annual Spending	INR 6,548 crore (USD 683 million)	INR 17,967 crore (USD 1,874 million)	+174%
Companies obligated to spend	883	1,394	+58%
Companies that spent	-	1,367 (98%)	—
Spend vs prescribed obligation	78%	98%	+20 pp
Cumulative Spending (10 yr)	—	INR 1,23,839 crore (USD 12.9 billion)	—
PSU Contribution	—	INR 3,717 crore (USD 388 million)	21% of total (66 PSUs)
Unspent (transferred)	—	INR 2,329 crore (USD 243 million)	Multi-year projects

Note: India CSR: Key Performance Metrics (companies listed on the NSE main board). INR converted at a constant INR95.9/USD.

4.4. Sectoral Allocation

Education and healthcare dominate India's CSR landscape. As of FY 2022–23, the sector-wise allocation is as follows: [31]

Table 4.2 India CSR: Sector-wise Allocation (FY 2022–23)

Sector	Share	Amount
Education, livelihoods, differently-abled	44%	INR 13,209 crore (USD 1.38 billion)
Healthcare & sanitation	29%	INR 8,739 crore (USD 911 million)
Rural development & poverty alleviation	~15%	—
Environmental sustainability	~5%	—
Other (PM funds, heritage, sports, etc.)	~7%	—

Note Sector-wise Allocation (FY 2022–23), all companies. INR converted at a constant INR95.9/USD. No sectoral breakdown is published on the NSE-listed basis used elsewhere in this chapter, so **Table 4.2** reports all-company figures and its totals are therefore not comparable with **Table 4.1**.

CSR-funded schools in the states of Bihar and Uttar Pradesh increased female enrollment by 18%, and mobile health clinics in the state of rural Rajasthan reduced infant mortality by 12%.[32] Environmental spending grew fastest in percentage terms, increasing by +54% year-on-year in 2022–23, while rural development declined significantly by -59%. This pattern suggests an urban bias in corporate spending patterns.[33]

4.5. The Geographic Concentration Problem

Geographic disparities remain. Six states, Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Delhi, and Gujarat absorb approximately 60% of all CSR spending.[34] India's 112 most underdeveloped districts designated for priority attention receive less than 20% of the total CSR pool.[35] Maharashtra alone accounted for nearly 15% of all CSR spend in FY 2021–22, totalling more than INR 2,250 crore (USD 235 million), driven by companies spending close to their headquarters rather than where social need is greatest.

Even in states like Maharashtra, which receive significant CSR funding, distribution is uneven. Areas with the greatest need often receive less funding compared to major districts such as Mumbai. Public sector undertakings account for a large share of CSR spending and operate under specific government mandates regarding themes and priority areas. Several structural factors contribute to this geographic misalignment. Companies tend to invest in areas where they operate. Their brand is recognised, and where social investment can generate local goodwill. More remote and economically disadvantaged districts offer fewer such benefits. As a result, there is a redistribution failure: mandatory CSR generates substantial total resources but concentrates them in already relatively advantaged regions.[36]

CSR activities should address local issues while aligning with global frameworks such as the SDGs, contributing to both national development and global priorities. Indeed, companies should be able to prioritise their local communities whenever relevant. In the case of public sector mining companies such as Coal India, surrounding communities often remain poor, while CSR funds are directed to major cities like Delhi or Mumbai based on ministerial preferences. Still, CSR represents a small share of the country's overall development funding (often, less than 5%) and should not be viewed as a primary source of public development finance.

4.6. Integrity Challenges: The INR800 Crore Fraud Case

In August 2024, India's Income Tax Investigation Unit in Agra uncovered a systematic CSR fraud scheme spanning six states. The total estimated value of CSR funds diverted was INR 800 crore or more (USD 83.5 million). The investigation also identified related overseas remittances totalling INR 10,000 crore (USD 1.04 billion) to Hong Kong, Singapore, and the UAE.[37]

How the fraud worked: Chartered accountants acted as intermediaries connecting companies with fake NGOs that had obtained legitimate Form CSR-1 registration on the Ministry of Corporate Affairs (MCA) portal. The sequence was as follows:

1. Companies seeking compliance contracted with shell NGOs introduced by intermediary chartered accountants.
2. CSR funds were transferred to the registered NGOs, satisfying all documentary requirements.
3. An estimated 70–80% of CSR funds were returned to the companies as cash kickbacks through parallel payment channels.
4. The remaining 20–30% was allegedly laundered through shell company networks into overseas accounts.

All statutory filings, including annual CSR reports, were completed accurately. On paper, the companies were 100% compliant.[38]

What the case exposed: The fraud revealed fundamental weaknesses between procedural and substantive compliance. Registration with the MCA was effectively treated as evidence of an NGO's legitimacy, even though, in practice, it was only an administrative requirement.

Statutory auditors, focused on the accuracy of financial statements, were not positioned to verify whether CSR funds produced any actual social impact. The entire compliance infrastructure generated clean paperwork while delivering little to no social impact. This case does not undermine the mandatory CSR model, but it does expose how compliance is verified. This could be addressed through third-party impact verification, greater transparency around beneficial ownership, and digital tracking of CSR funds as discussed in Chapter 7.

Chapter 5

In-depth case study: Mauritius

In-depth case study: Mauritius

Mauritius holds the distinction of being the world's first country to enact mandatory corporate social responsibility legislation, four years before India. This chapter draws substantially on the analysis prepared by Knowledge Partners Ragodoo and Ramdhony (2026) of the University of Mauritius. Their study "CSR Levy: The Mauritian Model" provides the most comprehensive academic treatment of the framework's evolution, governance, and performance.[39]

5.1. Origins: Corporate Philanthropy and the Sugar Economy

CSR in Mauritius did not begin with legislation. Its roots lie in the social obligations of the island's dominant economic actors during the colonial and post-independence era. Sugar estates and factories, the country's main employer. provided ad hoc support to surrounding communities, helping schools, making religious donations, and funding basic welfare services. These discretionary, uncoordinated contributions are described by Soobaroyen and Mahadeo (2010) as "philanthropic CSR."[40]

A 2007 study by the Mauritius Employers Federation (MEF) found that while most businesses accepted the principle of balancing economic interests with social responsibility, CSR was conducted on an ad hoc basis and remained disconnected from business strategy. More significantly, the MEF found that firms were mainly engaged in internal CSR benefiting employees, while communities received only a small portion of the funds allocated. Firms were also criticised for establishing CSR departments staffed by owners' relatives, consuming budgets without delivering social value. The Joint Economic Committee (JEC) report of 2007 further identified a "lack of coordination and systematic approach" as the structural failure of voluntary CSR in Mauritius.[41]

The economic context added to the urgency. The end of two preferential trade agreements, the Multi-Fibre Agreement and the EU Sugar Protocol, at the start of the twenty-first century, combined with rising oil prices and falling sugar prices, delivered severe economic shocks. Unemployment reached a 20-year peak in 2006 and continued rising, from 7.17% to 7.28% between 2008 and 2009.[42] The government's 2007 Budget appealed for voluntary corporate contributions of at least 1% of profits. The 2008 Budget speech raised the alarm about widening poverty, particularly in coastal and rural communities in the northern and eastern parts of the island.[43] When voluntary appeals proved insufficient, the government mandated CSR through the Finance Bill 2009.

5.2. Policy Rationale: Why Was There So Little Resistance?

Several structural conditions made mandatory CSR politically viable with limited business resistance, a combination that Ragodoo and Ramdhony (2026) identify as distinctive to the Mauritian context:

- **Low-tax environment:** With a corporate tax rate of only 15%, low by international standards, the government argued that a 2% levy would not significantly increase the tax burden on profitable firms.
- **Documented coordination failures:** Evidence from the MEF and JEC meant that businesses could not credibly argue the voluntary system was working. The mandate was presented as a corrective measure, not a punishment.
- **Political legitimacy:** The levy was framed as the corporate sector returning value to a society whose infrastructure, human capital, and consumer markets had supported corporate profitability. This argument had strong political resonance in a small island context.
- **Limited fragmentation:** Unlike India's 1.4 billion population with extreme regional disparity, Mauritius's compact geography and size meant that a centralised fund management model was administratively feasible from the outset.

5.3. Legislative Evolution (2009–2025)

The 2% levy rate has remained unchanged since 2009. However, the framework has undergone significant evolution across four dimensions: mandate base, fund management, unspent funds treatment, and activity guidelines, as summarised in **Table 5.1**.[44]

Table 5.1 Key Shifts in the Mauritian CSR Levy Framework (2009–2025)

Feature	2009–2014	2015–2016	2017–2023	2024/2025
Mandate base	2% book profit of preceding year	2% chargeable profit of preceding year	2% chargeable profit of preceding year	2% chargeable profit of preceding year
Fund management	Companies self-directed: own projects, approved NGOs, or Special Purpose Vehicle	Full company discretion; own CSR framework	NSIF created; 75% remitted to NSIF via MRA; 25% company managed	50% to NSIF via MRA; 50% by company per CSR guidelines
Unspent funds	Remitted to Consolidated Fund (all periods)			
Activity guidelines	2009: 21 approved activities; 2010: 50% directed to public programmes (e.g. Social Welfare of Vulnerable Children; Eradication of Absolute Poverty)	All guidelines removed; companies use own CSR framework	6 priority areas: (1) Health; (2) Education & training; (3) Family protection incl. gender-based violence; (4) Socio-economic development/poverty; (5) Social housing; (6) Persons with severe disabilities	6 areas retained for NSIF 50%; no guidelines for company-managed 50%

A defining trigger for the 2017 centralisation was the discovery that MUR 890 million of CSR funds had remained unspent, equivalent to approximately USD 18.75 million (Le Defi, 2016). This prompted the creation of the National CSR Foundation, later renamed the National Social Inclusion Foundation (NSIF), to absorb and redistribute unspent funds. With a new government in 2024, the NSIF share was reduced from 75% to 50%, explicitly to give companies "more flexibility to align their CSR activities to their corporate objectives." This marked a partial reversal toward decentralisation.

5.4. Governance Architecture

The Mauritius CSR system operates through two institutions, alongside a company-managed portion that together form a hybrid model:

National Social Inclusion Foundation (NSIF): Established in 2017, the NSIF receives 50–75% of all mandatory CSR contributions through the Mauritian Revenue Authority (MRA), reviews applications from NGOs and social project implementers, and disburses funding across the six national priority areas. It operates under a board with representatives from government, civil society, and the private sector. The NSIF manages the centralised portion of the levy.

Mauritius Revenue Authority (MRA): Unlike in India, where the Ministry of Corporate Affairs handles compliance, the MRA administers the levy through its tax administration. This gives the levy some of the characteristics of a tax and places enforcement within a functioning compliance system. Companies remit their NSIF share to the MRA alongside their annual tax return.

Company-managed portion (50%): Since 2024, companies have retained half of their levy to fund approved NGOs, their own projects, or Special Purpose Vehicles directly. This channel allows companies to leverage sector-specific expertise and maintain direct community relationships, addressing the "corporate disengagement" weakness identified in the fully centralised 2017–2023 model.

Following the CSR Act in Mauritius, companies faced pressure for funds at multiple levels, ranging from local village councils to the Prime Minister's Office, as awareness of CSR obligations has increased. Hence, there is a need for accountability mechanisms to prevent misuse and ensure proper implementation.

5.5. Implementation Data

Table 5.2 Mauritius CSR: Key Implementation Figures

Metric	Figure
Cumulative CSR collected (2009–present)	MUR 5.3 billion (approx. USD 130M)
Cumulative redistributed via NSIF	MUR 3.4 billion (approx. 64% of collected)
Annual collection (recent years)	MUR 800 million (approx. USD 20M)
Unspent identified (2016, triggering NSIF reform)	MUR 890 million (USD 18.75M)
Corporate tax rate (context)	15%
NSIF remittance rate (from 2024)	50% (reduced from 75%)
Enforcement channel	Income Tax / MRA

5.6. SWOT Analysis of the Mauritian CSR Levy

The following structured assessment draws directly on Ragodoo and Ramdhony (2026)[46] and represents the first systematic insider evaluation of the model by Mauritius-based academics.

Strengths

- **Consistency and predictability of CSR funding:** The 2% mandate institutionalises a steady resource stream independent of corporate discretion.
- **NSIF coordination:** Central coordination reduces project duplication, ensures marginalised communities receive attention, and enables strategic targeting of national priorities.
- **Policy coherence:** CSR is aligned with government development objectives, including poverty, housing, health, and education, making it an instrument of structured social policy, rather than isolated philanthropy.
- **Reputational capital for firms:** Participation in an ESG-aligned mandatory framework enhances legitimacy with international stakeholders.

Weaknesses

- **Dependence on corporate profits:** CSR revenues decline in economic downturns, potentially threatening continuity of long-term social programmes.
- **State-private sector tension:** The NSIF's dominant role can overshadow the private sector, reducing corporate ownership and innovation in CSR delivery.
- **"Paying rather than doing" syndrome:** The levy can be treated as a financial obligation rather than a strategic function. Companies have fewer opportunities to leverage their core competencies, expertise, supply chains, and technology for social impact.
- **Narrow monetary focus:** The emphasis on financial contributions can overlook non-monetary contributions such as employment, procurement, and mentorship, limiting the transformative potential of CSR.

Opportunities

- **Adopt India's 3-year average profit base** to smooth funding volatility across economic cycles.
- **GRI and ESG reporting integration:** adopt Global Reporting Initiative standards to enhance transparency, account-ability, and international credibility.
- **SIDS replication:** Mauritius as a replicable model for other Small Island Developing States seeking structured private-sector social investment.
- **Integrated ecosystem:** vertical and horizontal linkage of national policy objectives with sector-specific corporate strengths and NGO grassroots implementation could significantly improve measurable impact.

Threats

- **Profit manipulation / tax planning:** minimising declared profits to reduce CSR contributions; risk heightened post-COVID.
- **NSIF as political instrument:** if allocations are perceived as politically motivated rather than merit-based, business and public confidence erodes.
- **Ethnic and communal considerations:** a distinctive Mauritian socio-cultural risk—community identities may influence project selection and politicise social interventions.
- **Competitiveness concern:** combined 15% corporate tax + 2% CSR levy may be perceived as increasing effective fiscal burden on firms in a competitive global investment environment.

Ragodoo & Ramdhony (2026): Conclusion

The Mauritian CSR levy represents an innovative hybrid model institutionalising corporate contribution to national development. While ensuring consistency in funding and alignment with national priorities, it raises governance and autonomy concerns. With strengthened reporting standards and ESG integration, the Mauritian model has the potential to serve as an international benchmark.

Chapter 6

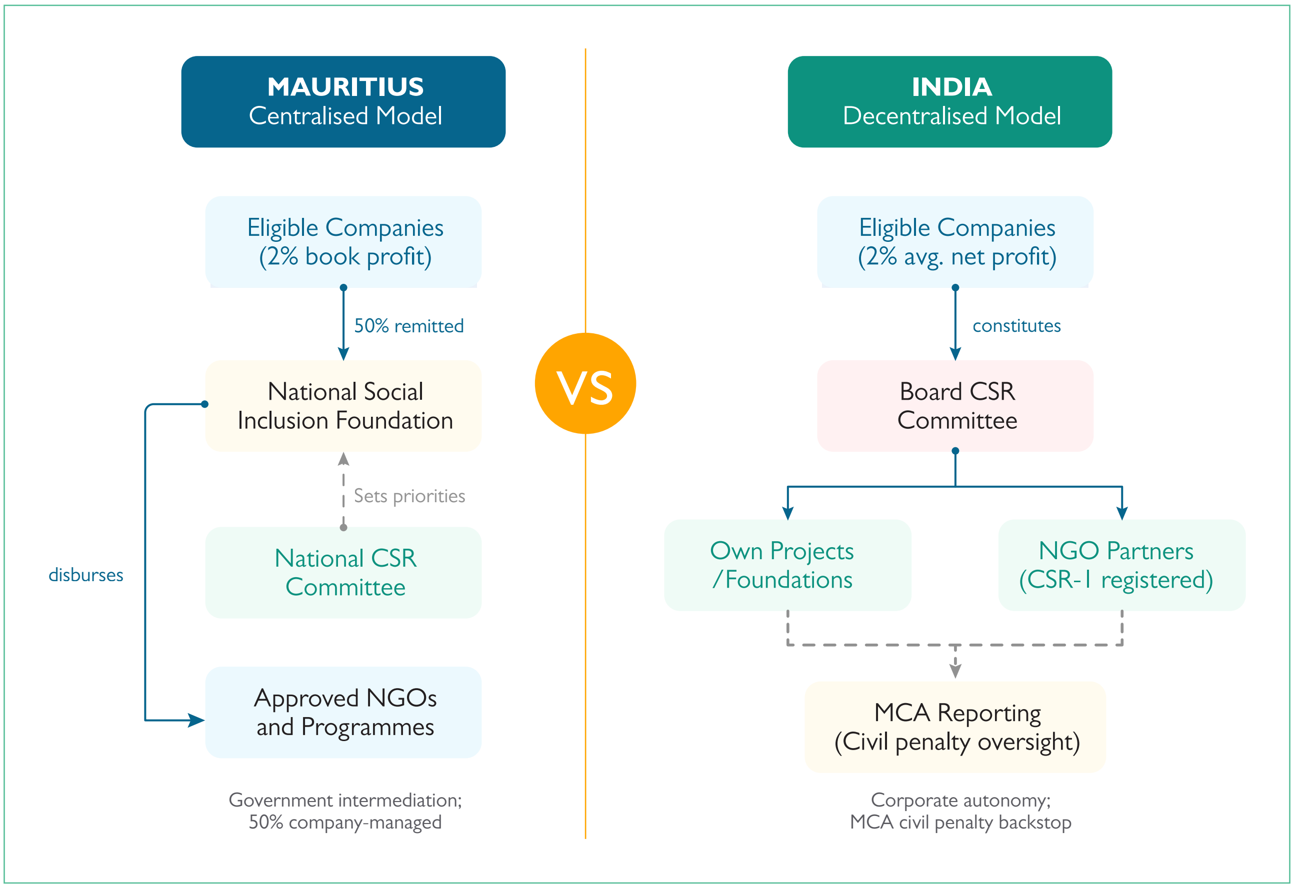
Comparative Analysis: India and Mauritius

Comparative Analysis: India and Mauritius

6.1. Governance Architecture

Figure 6.1 Illustrates the contrasting governance flows of the two pioneer mandatory CSR jurisdictions.[47]

Figure 6.1 Governance Architecture: Mauritius (Centralised) vs India (Decentralised).



6.2. Trade-off Matrix

Figure 6.1 Summarises how the two models perform across five governance dimensions.[48]

Figure 6.2 Centralised vs Decentralised CSR: Five-Dimension Trade-off Matrix

Dimension	Centralised (Mauritius)	Decentralised (India)
National priority alignment	✓ Strong: NSIF disburses against national framework	× Weak: corporate preferences dominate
Flexibility and responsiveness	× Slow: approval bottlenecks at NSIF	✓ Fast: Board-level decisions, company agility
Corruption vulnerability	High at single gatekeeper; gatekeeping risk	Dispersed; fake NGO fraud at scale
Geographic distribution	✓ Potentially more equitable	× Concentrated near corporate HQs
Corporate engagement	× Low: minimal company discretion	✓ High: companies build CSR expertise

6.3. Corruption Vulnerability Comparison

Neither mandatory CSR model eliminates the risk of corruption. The Mauritius centralised model concentrates vulnerability at the institutional gatekeeper, creating a single point of potential capture. India's decentralised model disperses vulnerability across thousands of corporate-NGO relationships, increasing the potential for fraud at scale, as illustrated in the 2024 case. **Figure 6.3** details the specific vulnerability profiles.[49]

Figure 6.3 Corruption Vulnerability Assessment: Mauritius vs India

Vulnerability Type	Mauritius	India	Driver
Centralised approval corruption	**HIGH**	Low	Gatekeeper concentration
Fake NGO / trust fraud	Medium	**HIGH**	Scale (3M+ NGOs)
Fund diversion/kickbacks	Low–Medium	**HIGH**	Direct corporate transfers
Beneficial ownership opacity	Medium	**HIGH**	Shell company networks
Audit quality failure	Medium	**HIGH**	Volume; capacity overload
Political priority capture	**HIGH**	Low	Centralised committee

6.4. Complementary country cases

Additional country models offer design insights without matching the mandatory spending frameworks of India and Mauritius.

6.4.1. European Union (EU): mandatory disclosure and due diligence

Legal model. The EU framework is based on mandatory sustainability reporting and corporate due diligence rather than compulsory CSR spending. It uses tools such as double materiality, assurance, digital reporting, governance disclosure and value-chain accountability. The framework changed significantly in 2025–2026. Directive (EU) 2026/470 narrowed the scope and revised implementation timelines, while the European Commission adopted simplified European Sustainability Reporting Standards in July 2026. Earlier claims that the original CSRD applied fully from 2024 to around 50,000 companies therefore require updating.

Why it matters. The EU is a useful example to compare because it shows how transparency, assurance, and due diligence obligations can strengthen corporate responsibility across operations and value chains. However, these rules do not require companies to contribute a fixed percentage of profits or create a pooled social investment fund.

The Atlantic Philanthropies' experience in Ireland illustrates how private social investment can catalyse larger private commitments. A €99 million philanthropic investment, equivalent to USD 112.5 million, leveraged €260 million, equivalent to USD 295.5 million. The case demonstrates the potential for philanthropy to complement public investment. However, it is not a mandatory CSR model and should be treated as a complementary example, rather than a direct comparator.[51]

Lessons learned. The EU demonstrates that CSR frameworks should clearly distinguish among spending obligations, corporate conduct duties and disclosure requirements. Its reporting and due diligence tools can improve transparency and oversight, but they should not be presented as equivalent to mandatory CSR financing. France's duty-of-vigilance experience may be used alongside the EU framework to illustrate value-chain accountability.

6.4.2. Kenya: revenue-based community investment in mining

Legal model. Kenya's Mining (Community Development Agreement) framework requires holders of mining rights to finance community projects through agreements with affected communities. The framework requires the holder to make a minimum contribution of at least 1% of annual gross revenue to projects identified in the Community Development Agreement. This is a sector-specific community-benefit obligation rather than a general corporate CSR requirement.[13]

Why it matters. Kenya provides a concrete case from the extractive sector directly relevant to the proposed premium contribution for resource companies. Unlike profit-based rules, a gross-revenue base is less sensitive to accounting losses, interest deductions, and transfer pricing. It can therefore produce more predictable local benefits, although it may place a greater burden on companies during low-margin periods. The requirement is also tied to formal community participation rather than a broad national list of charitable activities.

Lesson learned. The case introduces three issues absent from the current report: revenue versus profit as the basis for contribution; legal rights of affected communities in project selection; and the relationship between CSR, royalties, environmental obligations, compensation, and benefit sharing. Kenya's regulations state that a well-designed framework must prevent double counting and must not permit a community development payment to substitute for remediation or legal compensation.

6.4.3. Indonesia: the limitations of a mandatory obligation without mandatory spending

Legal model. Article 74 of Indonesia's Company Law requires companies conducting business in, or related to, natural resources to undertake social and environmental responsibility. Government Regulation No. 47 of 2012 provides implementing rules and treats the associated costs as company expenses, but the national framework does not prescribe a universal percentage. The amount is expected to be "proper and reasonable," and sectoral or local rules may add detail.[11]

Why it matters, Indonesia is a useful counterfactual to India, Mauritius, Nepal and Qatar. It shows the difference between creating a legal duty and specifying a measurable contribution floor. Flexibility may allow proportionality across sectors and projects, but it makes benchmarking, enforcement and national aggregation difficult. It also highlights the special policy case for natural-resource companies, whose social licence and environmental externalities are closely tied to local communities.

Lessons learned. A framework without a clear quantum needs alternative mechanisms to determine adequacy: approved budgets, sector benchmarks, regulatory guidance, community development agreements, or disclosure of the board's rationale. Otherwise, companies and enforcement bodies may lack a shared standard for what counts as sufficient. Indonesia also demonstrates the risk of fragmented subnational supervision where central data are weak. A 2024 review of 10 Indonesian provinces found significant variation in how local governments supervise CSR compliance, with no central tracking database.[50]

The design lesson to draw from Indonesia is that a mandatory obligation without a mandatory quantum functions as compliance theatre. Prospective legislation must specify a minimum contribution floor—whether as a percentage of profit, turnover, or net worth—or the legal obligation becomes effectively unenforceable.

6.4.4. Nepal: a lower-rate, broad industrial mandate

Legal model. Section 54 of Nepal's Industrial Enterprises Act 2020 requires every medium or large industry and every cottage or small industry with an annual turnover above NPR 150 million to set aside at least 1% of annual net profit for corporate social responsibility. The amount is to be spent under annual plans and programmes in prescribed areas. This is a direct statutory spending floor, even though the legislative vehicle and terminology differ from India's company-law model.

Why it matters. It is the most important addition because it directly qualifies the report's claim that only India and Mauritius operate mandatory spending regimes. It offers three comparative variables that the current report lacks, a 1% rather than 2% floor, the type and size of the business determining who must comply and a legal home in industrial enterprise legislation rather than company or tax law. It is also relevant for lower-income and administratively constrained states considering whether a broad 2% obligation would be too ambitious at inception.

Lesson learned. The statute establishes the obligation and coverage. Publicly accessible, consolidated implementation data on aggregate collections, compliance, geographic distribution, and outcomes are not sufficiently clear for this memorandum to claim performance. That absence is itself relevant. A legal spending floor without a transparent central dataset is difficult to evaluate. The case should therefore be used to discuss the importance of data

6.4.5. Qatar: a central 2.5% levy on listed-company profits

Legal model. Qatar's Law No. 13 of 2008 established a levy equal to 2.5% of the annual net profits of shareholding companies listed on the Qatar Stock Exchange to support social, sports, cultural, and charitable activities. The Social and Sports Activities Support Fund (DAAM) describes this 2.5% contribution as its principal source of finance.[10]

Why it matters. Qatar is a close functional comparator for mandatory CSR, even though the levy is not necessarily labelled "CSR" and companies do not retain the same project discretion as in India. It provides a central-pooling model with a higher rate, a narrow corporate class (listed companies) and a broad public-benefit mandate. It is especially relevant to Gulf and Islamic-finance contexts, where mandatory social contribution can be examined alongside - but not automatically merged with - zakat, waqf and state social funds.

Lesson learned. Qatar shifts the policy question away from company programme management toward the governance of a statutory fund: how priorities are selected, what allocation criteria are published, how project performance is reported and how independent assurance works. This allows the report to distinguish "company-mandated spending" from "government-collected social levy." The distinction is crucial because the two instruments have different implications for corporate engagement, public finance, and accountability.

6.4.6. South Africa: a market-linked, quasi-mandatory scorecard

Legal model. South Africa's Broad-Based Black Economic Empowerment framework includes socio-economic development as a scorecard element. Official B-BBEE Commission guidance sets an annual target of 1% of net profit after tax for contributions that enable South African Black people to gain sustainable access to the economy. The target is not a universal tax or stand-alone statutory spending levy; its force arises from verification scores and the commercial significance of B-BBEE status, including in procurement and licensing environments.

Why it matters. South Africa demonstrates that the state can influence corporate social investment without creating a universal payment obligation. It also broadens the report beyond cash transfers because recognised contributions can be structured around development outcomes and beneficiary criteria. The model therefore provides a middle category between voluntary CSR and fixed mandatory spending.

Lesson learned. Market-linked enforcement can create strong incentives while preserving company choice. Still, it introduces its own risks, including complex verification, gaming of beneficiary definitions, uneven pressure across sectors, and compliance driven by procurement value rather than social need. It also raises the question of whether scorecard systems can direct activity toward structural inclusion more effectively than broad lists of charitable purposes.

Embedding social investment requirements within a broader governance scoring framework (as in B-BBEE) can build compliance momentum and connect CSR to strategic business interests. Higher B-BBEE scores unlock government procurement access and licensing advantages. However, this model ties CSR to historically specific redress objectives that may not be transferable to other jurisdictions. For countries without analogous structural inequality mandates, a standalone CSR obligation with its own governance and enforcement architecture offers greater flexibility and universality.

The lesson for prospective legislation is clear: legal obligation without a quantum is unenforceable; disclosure without spending mobilises no resources; spending without transparency breeds corruption. The most robust frameworks combine a defined spending floor, outcome-linked governance, and public disclosure requirements, as explored in the design principles in Chapter 7.

Chapter 7

Design Principles for Prospective Legislation

Design Principles for Prospective Legislation

The evidence base from India and Mauritius, combined with insights from other jurisdictions, supports the following design principles for countries considering mandatory CSR legislation.

7.1. Fiscal Threshold Design

Principle 1:

Calibrate Thresholds to Context

The entry trigger for mandatory CSR must balance inclusiveness with administrative capacity. The optimal design uses multiple criteria (net worth, turnover, and/or profit) so that firms meeting any one criterion are included.[52]

India's three-criteria approach is the most inclusive model and captures a broad base of economically significant firms. For small island states or emerging economy contexts, threshold calibration should consider: the estimated number of firms in scope at different threshold levels; the regulatory capacity of the designated oversight body; and whether a tiered rate (lower for smaller firms, higher for large MNCs) better aligns with the ability to pay.

7.2. Governance Model Choice

Principle 2:

Design for Hybrid Governance

The evidence strongly favours a **hybrid model** combining the strategic coherence of centralisation with the flexibility and corporate engagement of decentralisation.[53] A pure centralised model risks capture and bottlenecks; a pure decentralised model risks geographic concentration and integrity failures at scale.

A proposed hybrid architecture would operate as follows:

1. **National Development Board (NDB):** A statutory body sets national CSR priority areas aligned with the SDGs.
2. **Strategic guardrails:** Companies must allocate a defined minimum percentage (e.g., 40%) toward NDB-designated priority areas, typically underserved geographies or sectors.
3. **Corporate autonomy within guardrails:** Companies retain discretion over how to implement their commitments, preserving corporate engagement and operational flexibility.
4. **NDB pooled fund:** An optional mechanism allows companies to pool contributions for NDB to deploy collectively, which is valuable for smaller companies lacking CSR implementation capacity.

7.3. Enforcement Mechanisms

Principle 3:

Graduated Civil Enforcement with a Clear Transfer Backstop

Enforcement should be proportionate, predictable, and clearly civil rather than criminal. India's post-2020 civil penalty regime provides a superior model to its earlier criminal provisions.[54]

Key enforcement design elements:

- **Transfer backstop:** Unspent amounts must be transferred to a government-designated fund within 30–60 days of year-end.
- **Graduated civil penalties:** Moderate financial penalties for first-year shortfalls, escalating for persistent non-compliance.
- **Third-party verification:** Statutory auditors should be required to verify not only fund transfers but also evidence of project implementation, thereby moving beyond the procedural compliance gap exposed by India's 2024 fraud case.[55]
- **Audit rotation:** Mandatory rotation of CSR verification auditors prevents the development of long-term relationships that may compromise independence.

7.4. Transparency and Accountability

Principle 4:

Build Transparency Infrastructure from Inception

India's experience demonstrates the high cost of retrofitting transparency mechanisms onto an existing framework after fraud has occurred. New legislation should build accountability architecture in from day one.

Essential transparency elements:

1. **Standardised digital disclosure:** Mandatory machine-readable CSR reports filed to a centralised public portal, enabling civil society and academic monitoring.
2. **Beneficial ownership registration:** All recipient NGOs and implementing agencies must disclose their ultimate beneficial ownership, helping to prevent shell charity fraud.[56]
3. **Public project database:** A government-maintained registry of all funded projects, searchable by geography, sector, company, and implementer.
4. **Community feedback mechanisms:** Beneficiary communities should have formal channels to report project non-implementation or failure to meet quality standards.
5. **Blockchain fund traceability:** Pilot evidence from supply chain transparency programmes suggests that blockchain-based fund tracking can significantly reduce fund diversion for large contributions. Applying blockchain to CSR could provide end-to-end traceability from corporate accounts through implementing agencies to beneficiary activities creating an immutable audit trail that would have detected the INR 800 crore (USD 83.5 million) fraud scheme described in Chapter 4.[57]

7.5. Impact Measurement

Principle 5:

Mandate Outcome Reporting, Not Just Output Compliance

The dominant CSR reporting model, focused on rupees spent, beneficiaries reached, and facilities constructed, is a proxy for impact, not a measure of it. Prospective legislation should embed outcome measurement requirements from the outset.[58]

A practical impact measurement framework includes:

- Theory of change requirement: All projects above a minimum threshold must submit a theory of change mapping inputs to intended outcomes.
- Standardised KPIs linked to SDGs: A government-issued menu of SDG-aligned outcome indicators from which projects must select relevant metrics.
- Pooled evaluation fund: A small percentage of total CSR collections (e.g., 0.5%) allocated to an independent impact evaluation fund.
- Social Impact Bonds (SIBs): For large, multi-year interventions, SIBs, in which investors fund programmes upfront and receive returns only when verified outcomes are achieved, embed rigorous impact measurement into the financing structure.[59]

7.6. Adaptation for Local Contexts

Principle 6:

Fit the Framework to the Economy's Structure

No single mandatory CSR model fits all contexts. Small island economies, natural resource exporters, and Islamic finance jurisdictions each require specific adaptations.

Small island states: Individual small economies in the Caribbean Community (CARICOM) or Pacific context may lack the corporate base to generate meaningful mandatory CSR pools. Regional pooling, such as a CARICOM-wide or Pacific Islands-wide fund managed by a regional body, can aggregate resources to an effective scale. The Maldives context suggests a domestic mandatory CSR framework might usefully complement regional development finance mechanisms.

Extractive economy countries: Companies extracting finite natural resources derive value from assets that belong to the national public. A tiered rate structure applying higher rates to extractive industries is both equitable and administratively straightforward, reflecting the principle of resource rent capture.[60]

Islamic finance contexts: The principles of zakat (mandatory charitable giving) and waqf (charitable endowment) are structurally compatible with mandatory CSR frameworks in Middle East, North Africa (MENA) and South Asia.[61] Legislation designed for Islamic finance contexts can explicitly recognise and integrate these instruments, reducing compliance friction and leveraging existing institutional infrastructure.

Chapter 8

A Way Forward: Outline of a Global Impact Delivery Levy

A Way Forward: Outline of a Global Impact Delivery Levy

8.1. The Need for International Coordination

Unilateral mandatory CSR legislation faces a structural vulnerability known as profit shifting, whereby multinational companies move or allocate profits between jurisdictions to reduce their tax or regulatory obligations. If a single jurisdiction mandates corporate social investment, multinational corporations can restructure to recognise profits in low-obligation jurisdictions, reducing the tax and CSR base of the mandating country. The same mechanisms that drive BEPS apply with equal force to CSR obligations structured on a profit basis.

This creates a coordination imperative. Just as the OECD's Pillar Two agreement established a global minimum corporate tax rate of 15%, international coordination on minimum mandatory social investment could prevent a race to the bottom on CSR obligations.[62] A Global Impact Delivery Levy (GIDL) framework would operationalise this principle.

Three additional arguments support international coordination:

1. **Cross-border externalities:** Many SDG challenges, including climate change, pandemic preparedness, and ocean plastic, cross national boundaries and require coordinated financing solutions.
2. **Tax competition dynamics:** Countries competing for MNC investment face pressure to reduce regulatory burdens, including CSR obligations, creating a race to the bottom that only binding international frameworks can prevent.
3. **Knowledge transfer:** An international coordination body can systematise the transfer of implementation lessons from India and Mauritius to countries building new frameworks.[63]

8.2. Proposed Tiered Rate Structure

GIDL: Tiered Contribution Architecture

The proposed Global Impact Delivery Levy adopts a tiered rate structure reflecting differential capacity and responsibility:

2%: Baseline rate for domestic companies (aligned with India/Mauritius precedent)

3%: Enhanced rate for multinational corporations (reflecting profit-shifting capacity and reduced local tax contributions)

7%: Premium rate for extractive industry companies (reflecting resource rent capture from nationally-owned natural resources)

Rates reflect profit extraction relative to local value creation. Companies that extract more from host economies than they return through wages, taxes, and supply chain spending bear a proportionally higher social investment obligation.

The tiered structure requires clear definitional frameworks for classifying MNCs and the extractive industry. Anti-avoidance rules, which are analogous to those in the Pillar Two agreement, would prevent reclassification to reduce the applicable rate.[64]

8.3. Governance Architecture at Global Level

A GIDL governance architecture would involve three tiers:

Tier 1 — National Development Boards: Each participating country establishes an NDB as the national counterpart institution. The NDB sets domestic CSR priorities, oversees disbursement, maintains the public project database, and reports to the international coordination body.

Tier 2 — International Coordination Body (ICB): Modelled on the OECD Inclusive Framework for BEPS, the ICB would: (i) maintain a common definitional standard for mandatory CSR obligations; (ii) facilitate mutual recognition of national CSR frameworks for MNCs operating across borders; (iii) coordinate anti-avoidance measures; and (iv) publish an annual Global CSR Performance Report benchmarking participating countries.

Tier 3 — Independent Impact Evaluation Council: A separate body staffed by development economists and impact evaluation specialists, commissioning rigorous assessments of GIDL-funded programmes and publishing standardised impact evidence to guide priority allocation.[65]

8.4. Phased Implementation Roadmap

Two-Phase Implementation Strategy

Phase I (Years 1–3): Legal Harmonisation

- Participating countries enact or amend mandatory CSR legislation aligned with GIDL minimum standards.
- ICB established; common definitional framework agreed.
- National Development Boards operationalised.
- Digital disclosure portals launched in all participating jurisdictions.

Phase II (Years 4+): Outcome Quality Focus

- Shift from compliance monitoring to outcome measurement across frameworks.
- Independent Impact Evaluation Council publishes first comparative assessments.
- Blockchain fund traceability piloted in willing jurisdictions.
- Social Impact Bond market developed with ICB guidance.[66]

8.5. Policy Innovations to Build in from Inception

New mandatory CSR frameworks have the advantage of drawing on a decade of implementation experience in India and Mauritius. Three policy innovations should be incorporated from day one:

Blockchain fund traceability: End-to-end digital tracking of fund flows from corporate accounts through implementing agencies to beneficiary activities creates an unchangeable audit trail. Accenture reports 30% efficiency gains in supply chain tracking programmes using blockchain; Deloitte surveys indicate 54% improvement in stakeholder trust scores where blockchain is applied to fund transparency.[67]

Social Impact Bonds (SIB): For large, multi-year programmes, SIBs shift the risk of programme failure from governments and companies to private investors, with repayment (with a return) only when verified outcomes are achieved. This creates powerful incentives for rigorous implementation and built-in evaluation infrastructure.[68]

Matching grant mechanisms: To encourage companies to invest beyond minimum requirements, governments can offer matching grants, from a pooled government contribution for corporate CSR investment above the mandated floor. This reflects a simple design principle: mandate the floor, incentivise the ceiling.[69]

Chapter 9

Conclusion

Conclusion

The mandatory CSR frameworks of India and Mauritius represent a genuine policy innovation. They demonstrate that governments can mandate private sector social investment at scale, drive near-universal compliance over time, and generate measurable social outcomes. A decade of evidence has transformed what began as a contested policy experiment into a replicable, refineable model.

But the evidence also teaches humility. High compliance rates do not guarantee high impact. Geographic concentration, procedural gaming, integrity vulnerabilities, and agency problems are not eliminated by mandatory legislation. They are relocated and reshaped. The design choices made at the inception of a mandatory CSR framework determine which vulnerabilities emerge and how tractable they are.

Two-Phase Implementation Strategy

Mandatory outperforms voluntary at scale. No voluntary CSR program has generated the sustained, measurable resource mobilisation that India's mandatory framework has produced. For countries committed to SDG financing, mandatory frameworks deserve serious consideration.[70]

Governance architecture determines vulnerability profile. The choice between centralised and decentralised models is not a choice between good and bad governance—it is a choice between different vulnerability profiles. Hybrid designs are superior to either pure model.

Procedural compliance is necessary but not sufficient. Enforcement regimes that focus on documentation and fund transfer without verifying project implementation generate compliance on paper and fraud in practice. Third-party impact verification is the core of the accountability architecture.

Build for outcomes from day one. Countries that build impact measurement, outcome reporting, and digital traceability into their mandatory CSR frameworks at inception will avoid the costly, politically difficult retrofitting that India now faces.[71]

International coordination amplifies national efforts. For small island states and open economies exposed to profit-shifting, a unilateral mandatory CSR regime is vulnerable. International coordination frameworks are the structural complement to domestic mandatory legislation.

Governments today are presented with a genuine policy opportunity. The evidence base is richer than at any prior moment. The technical infrastructure for transparency and measurement is available and cost-effective, while international attention to SDG financing gaps creates political space for ambitious policy reform. The design principles and framework outlined in this note offer a starting point for substantive legislative drafting.

Appendix

Supplementary Tables

Table A.1: Academic Lineage of CSR Theory (1953–2016)

The following table provides the full theoretical lineage of CSR scholarship referenced in Chapter 2. It traces how the concept evolved from discretionary business ethics into a mandatory governance instrument, culminating in the Mauritian CSR levy of 2009 and India's Companies Act mandate of 2013.

Table A.1 Evolution of CSR: Voluntary Era (Part 1 of 2)

Era	Concept	Source	Core Idea
1950s	Social responsibility	Bowen (1953)	Businessmen bear an obligation to pursue policies and decisions aligned with the values and objectives of society.
1950s	Long-run economic	Davis (1960)	Socially responsible decisions can be economically justified by long-run gains—"responsibility is the long-run profit motive."
1950s	Private contribution	Frederick (1960)	CSR reflects the willingness of businesses to direct resources toward broad social ends beyond narrow firm interests.
1960s–70s	Stakeholder approach	Johnson (1971)	A responsible enterprise balances the interests of employees, suppliers, dealers, local communities, and the nation.
1960s–70s	Three-dimensional model	Carroll (1979)	Corporate performance understood across four responsibilities: economic, legal, ethical, and philanthropic.
1980s–90s	Principles, policies, process	Wartick & Cochran (1985)	CSR requires integration of responsibility principles, social management processes, and concrete action.
1980s–90s	Institutional framework	Wood (1991)	Corporate responsibilities are grounded in legal, organisational, and individual-level institutional obligations.

Table A.2 Evolution of CSR: Regulatory and Market Integration (Part 2 of 2)

Era	Concept	Source	Core Idea
2000s	Three-domains approach	Schwartz & Carroll (2003)	CSR distilled to three overlapping domains: economic, legal, and ethical responsibilities
2009	**Mandatory CSR levy**	**Finance Bill, Mauritius**	**First national law mandating CSR spending: 2% of book profit remitted to a national fund. Shifts CSR from aspiration to legal obligation.**
2011	EU CSR concept	European Commission	CSR reflects the willingness of businesses to direct resources toward broad social ends beyond narrow firm interests.
2013	**Companies Act 135**	**India**	**India mandates that qualifying companies allocate 2% of average net profit to Schedule VII social activities. The second country to legislate mandatory CRS spending.**
2016+	ESG frameworks	Market standards (TCFD, GRI)	Emergence of Environment, Social and Governance discourse embedding CSR in investment analysis, credit ratings, and mandatory disclosure regimes (EU CSRD, 2023).

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