

South African companies spent R10.3bn on CSI in 2021

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South African companies spent an estimated R10.3 billion on corporate social investment (CSI) in the 221 financial year. Representing a 7% decrease in real terms from R10.7 billion in 2020. This is according to CSI consultancy Trialogue, which released its findings in the newly published 24th edition of the annual *Trialogue Business in Society Handbook*.



Trialogue has been tracking CSI spend for almost a quarter of a century and for the first time ever over half of companies reported decreased CSI expenditure, according to director Cathy Duff. "Covid-19 and a decrease in corporate profits have contributed to this," she says. This contrasts with the United States, where total community investments showed unprecedented growth as companies attempted to alleviate the negative effects of the pandemic.

More companies reported making non-cash contributions (of products, services and time) during the current financial year – almost one-third of the 69 companies included in the analysis reported on this, up from 19% in 2011. However, non-cash giving as a proportion of total social investment was only 13% on average in 2021 – significantly lower than the 22% reported by US companies.

"While there has been an upward trend over the years, the momentum built in the mid-2000s has declined, and the proportion of companies providing non-cash support remains significantly lower than in the US, where seven out of ten

companies made at least one in-kind donation in 2020. There is significant opportunity for South African companies to make more non-cash contributions, which are often strategically well-aligned with the business, and to quantify these as part of their total social investment," Duff points out.

Causes and geographies supported

As in previous years, education was the most popular cause, accounting for an average of 39% of CSI spend. This is significantly less than the average of 50% spend received last year, due to increased support for food security and agriculture (10%, up from 7% last year) and disaster relief (9%, up from 4% last year). Social and community development was the second-most supported sector (17% of CSI spend) and, for the first time, food security and agriculture was the third-most supported sector.

"The vast majority of companies made changes to their sector allocations in the past year, with most entering the food security and agriculture and disaster relief sectors. This demonstrates the direct impact the pandemic has had on sector expenditure," Duff says.

The cross-cutting issues of environmental sustainability, psychosocial support and gender equity are most commonly incorporated into some CSI projects or considered at a programme level, with few companies having specific CSI projects dedicated to these issues. Where company leadership chooses to take a stand on major issues, 61% speak out against gender discrimination, followed by inequality (58%) and climate change (57%). Unsurprisingly, few company leaders take a public stand on the minimum wage (21%) or excessive executive pay (7%).

Less than half of CSI spend (47%) was allocated to projects with a national footprint. Gauteng was the most supported province in 2021 (57% of companies directed funding to projects in the province, which received on average 21% of companies' CSI expenditure.) This was followed by KwaZulu-Natal (supported by 45% of companies) and the Western

Cape (supported by 39% of companies).

Little support for unrestricted funding

Despite the obvious benefits of unrestricted funding (where recipients can choose how to spend the funds), which have become clear during the Covid-19 pandemic, most companies (90%) do not offer unrestricted funding, and 86% are not willing to consider it. Some 38% of companies make funding contingent on project outcomes, with 39% considering doing so in future. Similarly, more than a third of companies have provided funding to help non-profit organisations to self-generate funding (35%), with 33% considering doing so in future.

“Dialogue is an advocate of unrestricted funding because it allows recipients to invest money where it is most needed, particularly in areas that other funders may not support, such as overhead costs, leadership development, or fundraising, where investment can lead to greater effectiveness and more funding,” says Duff. “Funds can also be used to further strategy, innovate, grow or build reserves to ensure the sustainability of the organisation. However, unrestricted funding does require trust in an organisation’s leadership. We recommend that if a trusted organisation is delivering good outcomes, unrestricted funding should be considered wherever possible.”



Cathy Duff

NPOs most popular recipients of CSI funding

In line with previous years, NPOs were the most popular recipients of company CSI funds, with 87% of companies directing an average of 53% of their spend to NPOs in 2021 (slightly less than last year). An average of 28% of NPO income came from South African companies this year. Schools, universities, hospitals and other government institutions were supported by 71% of companies, with 24% of CSI spend directed to them.

Covid-19 responses

This year, priority responses to Covid-19 included ensuring the health and safety of staff (99%), protecting customers (81%), and making philanthropic contributions to Covid-19-specific responses (80%), in line with 2020’s findings. An alarming development is that the percentage of companies retrenching staff or not renewing contracts (22%) and issuing notices of force majeure to suppliers (13%) has doubled compared to 2020.

Companies mostly changed CSI programming by adapting existing programmes to deal with the impact of Covid-19 (65%) or reducing programming in response to Covid-19 (31%). A positive finding is that over half of companies expect the greater collaboration experienced in the past year to persist (57%) and 45% of companies expect the enhanced consultation between funders and recipients to persist.

‘Building back better’ explored

The theme of this year’s *Dialogue Business in Society Handbook* is ‘building back better’ and the publication explores what the private sector can do to augment government’s recovery efforts, put responsible business concepts into practice, and help to accelerate meaningful change in South Africa. Dialogue has once again partnered with the art initiative The Lockdown Collection (TLC) – images from its student-led Climate Change and the Hope for a Green Recovery Collection feature on the cover and throughout the publication. TLC is once again ensuring that proceeds from the sale of the artworks are donated to the Vulnerable Artist Fund (VAF), set up by TLC to help visual artists survive 2021 lockdowns and hardships.

To read more: The handbook can be downloaded free from midday on 25 November 2021 at <https://dialogue.co.za/publications/>.

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