Sharing Responsibility for Social Welfare Provision between Companies and the State: A Comparison of Brazil and India

by

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A thesis submitted in conformity with the requirements for the degree of Doctor of Philosophy
Political Science
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Abstract

In the Global South non-state actors sometimes provide more collectively desirable goods than the state. This includes the engagement of companies through corporate social responsibility (CSR) projects, but an unexplored question remains: under conditions of limited state capacity, how do state and business actors interact in the evolution of systems of social welfare provision?

To answer this question, I consider Brazil and India. While existing literature on the relationship between business and the state has found the two to be similar cases, research reveals divergent trends in both how these states promote corporate engagement in social welfare provision, and in how companies take on such roles. I show that Brazil supports social welfare largely through the expansion and universalization of state programs, and promotes CSR through taxation, lending policies and legal arbitration mechanisms. India includes business actors in socioeconomic development to a greater degree and has passed legislation that requires companies to spend a portion of profits on community development in the form of CSR projects.
I show that this empirical variation can be explained with reference to three factors: state capacity, prevailing ideas about which actors hold responsibility for social welfare provision, and the historical institutionalization of CSR. State capacity is a permissive condition. Under conditions of limited state capacity, the interplay of prevailing notions of citizenship and ideas about how business and the state should interact combine to shape differing notions of responsibility. In India, the norm that responsibility should be shared between state and corporate actors exists, while in Brazil the state has come to be seen as holding primary responsibility for social welfare. These ideas have subsequently shaped both state policies towards CSR, and companies’ willingness to engage in socioeconomic development.

I argue that the Indian state is developing a liberal CSR regime that promotes company engagement in CSR, while also granting companies leeway over their engagement. Companies have responded by expanding their role in delivering collectively desirable goods. The Brazilian state, on the other hand, is developing a statist CSR regime under which the state seeks to maintain control over company involvement in socioeconomic development.
Acknowledgments

This dissertation would not exist without the help and support of more people than I can count. First and foremost, I want to thank my parents, Nada and Zeljko. Without them and their sacrifices, I would never have made it through my many years of schooling. I want to thank my partner Igor who has been by my side throughout this entire journey. My brother Bojan has been a constant source of emotional support, and a deeply appreciated babysitter as I prepared for my defense. My mother-in-law Seka was a tremendous help in the beginning of my program and has been sorely missed since her passing. My grandparents Slavka, Emilija and Josip were instrumental in helping me get to where I am today, even if I lost all of them along the way. During my last conversation with my grandfather, he asked: “So have you come up with a really good question for your thesis?” All I can say is I hope so.

I want to thank my supervisor, Professor Joseph Wong, for helping me learn how to write a dissertation and to become an academic. From the very beginning, he supported my interest in the questions I wanted to study, and shared my view that CSR is above all political. His feedback has been invaluable, as has that of my committee. Professors Linda White and Steven Bernstein have been a constant source of intellectual support. They have pushed me to think more deeply and more precisely about my arguments, and their detailed feedback has been central to improving the final work. My examiners, Kanta Murali and Peter Kingstone, as scholars of India and Brazil respectively, have provided excellent suggestions on how to further refine my arguments.

Numerous friends and colleagues have been instrumental in helping me during this entire process. Niki Shin has helped keep me sane over the past seven years. My old friends Heather Lewtas, Rachel Dekker, and Saoirse de Bont all helped me at various stages of this project. Begum Uzun, Marie Gagne, Kate Korycki, Carmen Jacqueline Ho, Sude Beltan, Ozlem Aslan and Jaby Matthew are responsible for making the University of Toronto a home. I cannot thank them enough for their support throughout the entire course of the program. I also want to thank a number of friends whose intellectual conversations have enriched my experience in Toronto,
including Andrea Cassatella, Semir Teshale, Khalid Ahmed, Heather Millar, Karlo Basta, Olga Kesarchuk, Nikola Milicic, Milena Pandy, and Jessica Soedirgo.

I also owe an enormous thank you to numerous individuals who helped me during fieldwork. First, I am grateful to all of my interviewees who took time out of their busy schedules to speak with me. I want to thank Prof. Amit Prakash and the Centre for the Study of Law and Governance at Jawaharlal Nehru University for hosting me during my India research trips. I similarly owe a debt of gratitude to Prof. Lorena Barberia and the Department of Political Science at the University of Sao Paulo. I specifically want to thank Prof. Alvaro Comin, Prof. Diogo R. Coutinho, and Prof. Mario Aquino Alves for sharing their time and for helping me better understand social welfare provision and CSR in Brazil. Finally, there are a number of friends who made my fieldwork in Brazil and India a joy. In particular, I owe a huge thank you to Shuchi Roy, Flora Romanelli Assumpcao and Flavio, San Romanelli Assumpcao, Tauana Romanelli Assumpcao, and Clara Romanelli Assumpcao. Lastly, I want to thank the International Development Research Centre (IDRC) for funding my fieldwork in Brazil and India.

I want to share this with and to thank my daughter Ana-Maria. Her smile was a constant encouragement during the last stages of this project, pushing me to finish so that I could get back to playtime.
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BIBLIOGRAPHY
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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADCE</td>
<td><em>Associação de Dirigentes Cristão de Empresas do Brasil</em> (ADCE-Brasil), a branch of the International Christian Union of Business Executives</td>
</tr>
<tr>
<td>Assocham</td>
<td>Associated Chambers of Commerce of India</td>
</tr>
<tr>
<td>BFP</td>
<td><em>Bolsa Família</em> Program</td>
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<tr>
<td>BISC</td>
<td><em>Benchmarking de Investimento Social Corporativo</em> – Corporate Social Investment Benchmarking Survey</td>
</tr>
<tr>
<td>BJP</td>
<td><em>Bharatiya Janata</em> Party</td>
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<tr>
<td>BNDES</td>
<td>National Development Bank (Brazil)</td>
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<tr>
<td>CCT</td>
<td>Conditional Cash Transfer</td>
</tr>
<tr>
<td>CII</td>
<td>Confederation of Indian Industry</td>
</tr>
<tr>
<td>CIVES</td>
<td>Brazilian Business Association for Citizenship</td>
</tr>
<tr>
<td>CLT</td>
<td><em>Consolidação das Leis do Trabalho</em> (Consolidation of Labor Laws)</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DPE</td>
<td>Department of Public Sector Enterprises (India)</td>
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<tr>
<td>DUP</td>
<td><em>Declaração de Utilidade Pública</em> - Public Utility Entity in Brazil</td>
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FCRA  Foreign Contribution (regulation) Act (India)
FICCI  Federation of Indian Chambers of Commerce and Industry
FIDES  *Funcadao Instituto de Desenvolvimento Empresarial e Social* - Institute for Business and Social Development
FIESP  *Federacao das Industrias do Estado de Sao Paulo* - Industry Federation of Sao Paulo
FUNRURAL  Social Protection Program for Rural Workers (Brazil)
GIFE  *Grupo de Institutos, Fundacoes e Empresas* - Institutes, Foundations and Corporations Group
GOI  Government of India
HDI  Human Development Index (UNDP)
IAS  Indian Administrative Service
IBASE  Brazilian Institute of Social and Economic Analysis
IICA  Indian Institute of Corporate Affairs
INPS  National Security Institute Brazil
IPEA  Institute for Applied Economic Research (Brazil)
MDGs  Millennium Development Goals
<table>
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<th>Abbreviation</th>
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<tr>
<td>NDA</td>
<td>National Democratic Alliance</td>
</tr>
<tr>
<td>NREGA</td>
<td>Mahatma Gandhi National Rural Employment Guarantee Act</td>
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<td>NSP</td>
<td>Non-state Provider</td>
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<tr>
<td>NVGs</td>
<td>National Voluntary Guidelines</td>
</tr>
<tr>
<td>OSCIP</td>
<td>Organizações da Sociedade Civil de Interesse Público - Public Interest Civil Society Organizations, was created by the Nonpro</td>
</tr>
<tr>
<td>PDS</td>
<td>Public Distribution System</td>
</tr>
<tr>
<td>PNBE</td>
<td><em>Pensamento Nacional das Bases Empresariais</em> - National Thinking on Business Foundations</td>
</tr>
<tr>
<td>PSI</td>
<td><em>Investimento Social Privado</em> - private social investment (PSI)</td>
</tr>
<tr>
<td>PSU</td>
<td>Public Sector Undertaking (India)</td>
</tr>
<tr>
<td>PT</td>
<td><em>Partido dos Trabalhadores</em> - Workers’ Party</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
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<tr>
<td>TAC</td>
<td><em>Termo de Ajustamento de Conduta</em> – Adjustment of Conduct Agreement</td>
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<td>UPA</td>
<td>United Progressive Alliance</td>
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Chapter 1: Introduction

The welfare state, together with a dynamic industrial economy, is often considered to be a defining feature of modernity. Welfare states, which largely emerged in the post-World War II period, mushroomed and expanded in the 1960s and 1970s throughout the Global North. Modernization theory predicted that the Global South would follow in the economic footsteps of the industrialized Global North. Those expectations were based on the European experience and, not surprisingly, that experience proved to be of very limited relevance for the Global South. Instead, a wide array of arrangements exist: personal and family-level security arrangements, as well as the provision of social welfare by non-state actors remain central, and formal state institutional frameworks of social provision continue to be fragile. This dissertation explores how the state and one set of non-state actors, for-profit corporations, share responsibility for the provision of social welfare in Brazil and India.

Even in the Global North, there has always been an array of welfare states that differ in the division between public and private welfare provision. For instance, in the case of the United States, the contracting out of social policy programs to private actors has been a common and long-standing practice (Morgan & Campbell, 2011). In recent decades, welfare states have also been under increasing pressure to retrench. Underlying this retrenchment are changing labour patterns (automation has been slowly eating away at employment throughout the Global North), the pressures of ageing populations, and ideational shifts that emphasize macroeconomic stability. At the same time, in the Global South, economic growth is no longer strongly associated with promises of significant increases in employment. While India, for instance, has experienced admirable growth in recent decades, much of that growth has been derived from sectors with low labour requirements.

During the heyday of welfare states, the notion that social welfare provision would be (if it was not already) ensured by the state dominated. Today, we have no definitive answers as to where welfare states may be heading. This is as true of the Global North as it is of the Global South. Here I focus on the latter.
A strong emphasis on including corporate actors in socioeconomic development, particularly through corporate social responsibility (CSR), has also emerged in recent years. These trends suggest that there will be a greater mix of public and private actors in welfare provision in the future, particularly in the Global South. However, the relationship between corporate actors and socioeconomic development, and the question of what types of welfare arrangements are emerging in the Global South, must be considered to explain why states are promoting corporate involvement, and why companies are agreeing to take on such commitments.

Research suggests variations in these arrangements, but an unexplored question remains: under conditions of limited state capacity, how do state and business actors interact in the evolution of systems of social welfare provision? Specifically, why do some states ask corporate actors to engage in welfare provision and grant them authority to do so, while others leave CSR largely in the realm of voluntary action? Moreover, why do some states focus their promotion of CSR on corporate contributions to social welfare provision, while others target corporate behaviour? Finally, how do companies respond to both state and societal pressures to contribute to socioeconomic development? In other words, how does corporate involvement in social welfare provision, under the guise of CSR, become institutionalized?

To answer these questions, I examine Brazil and India. When Brazil and India have been considered in the literature on the relationship between business and the state (see Evans (1995) and Kohli (2004)), they have been found to be similar cases, and are argued to have followed similar development paths. During the 1950s and 1960s, both states sought to promote economic development through import substitution industrialization. Starting in the late 1980s and early 1990s, both also went through a period of liberalization and opening, which has impacted the relationship between business and the state. At the same time, while the beginnings of state involvement in social welfare provision differed in Brazil and India, in both cases early welfare state development was circumscribed and designed to aid industrialization. In more recent decades, both states have experienced a rights-based turn, which has helped to spur increased state spending on social welfare. Finally, firms in both states have faced similar international pressures to further develop their CSR practices. These similarities suggest that we should expect
analogous corporate engagement in social welfare provision. A close examination of the two cases, however, shows divergent trend lines.

Focusing on the period of rule of the Brazilian Workers’ Party (the PT) from 2002 to 2016, this dissertation shows that Brazil has promoted social welfare provision largely through the expansion and universalization of state programs. It has sought to promote CSR through taxation and lending policies, as well as legal arbitration mechanisms. India, conversely, has included business actors in socioeconomic development to a much greater degree. It has recently passed legislation, Companies Act 2013, requiring companies to engage in socioeconomic development through compulsory CSR spending.\(^1\) The institutionalization of CSR in the two contexts also differs. In India, CSR is primarily understood as business engagement in community development, and many companies openly accept that they have a role to play in improving the country’s socioeconomic outcomes. In Brazil, CSR primarily refers to how companies operate, and businesses largely do not believe that they have a strong responsibility to engage in social welfare provision, which they view as the responsibility of the state.

In other words, how the state and corporate actors are coming to share the burden of promoting social welfare in the two states differs. The primary goal of this dissertation is to explain this variation. My focus is not on explaining differences in the precise welfare mix arising from the scope of corporate engagement in social welfare provision. Rather my focus is on explaining current trends: on balance, in India, there has been a trend towards the greater involvement of corporate actors in social welfare provision than in Brazil. This trend is reflected in both perceptions about the role that companies do and should play in socioeconomic development, and in company practices.

The dissertation argues that the empirical variation between Brazil and India can be explained with reference to three primary factors that work in conjunction: state capacity; prevailing ideas about which actors hold responsibility for social welfare provision; and the historical development and institutionalization of CSR. State capacity is a permissive condition. Brazil and

\(^1\) The Act requires all companies of a certain size to spend two percent of profits on CSR projects.
India are both characterized by limited state capacity, but in different ways and to varying degrees. Ideas regarding how responsibility for social welfare provision should be shared between state and corporate actors, and the institutionalization of those ideas in public and corporate policies, determine emerging trends in the division between public and corporate engagement in the provision of collectively desirable goods.

In India, problems of state capacity have historically limited the state’s role in social welfare provision, and have also contributed to the promotion of trusteeship, a concept which emphasizes the notion that individual business actors have a responsibility to give back to their communities. Thus, the idea that the responsibility for social welfare provision rests with both state and non-state actors has historical roots. When the concept of CSR was introduced in the late 20th century, it became fused with trusteeship, shaping current CSR practices in the country. In Brazil, higher state capacity has enabled the state to rely less on other actors in the promotion of social welfare. This has been buttressed by a widespread belief that the state holds the primary responsibility for citizens’ welfare. Finally, both the state’s capacity, and prevailing ideas about responsibility, have combined with the legacies of corporatism to shape how the state promotes CSR: i.e., it promotes CSR insofar as it can control the nature of company involvement in social welfare provision.

1 What is Being Explained? Clarifying the Main Terms

Though adopting the lens of corporate social responsibility, this dissertation is not about CSR as such – rather it is about trends in how corporate actors and the state share responsibility for the provision of social welfare in Brazil and India. More specifically, it is concerned with trends in ideas about how that responsibility should be shared, as well as differences in CSR practices. As elaborated below, while CSR remains a contested concept, it is generally accepted as being broader than corporate projects concerned with socioeconomic development. Thus, while this work does trace the emergence of CSR in Brazil and India in a more holistic sense to map how companies engage in social welfare provision, it is only tangentially concerned with other facets of CSR, including corporate reporting and adherence to international standards.
This sharing of responsibility should also not be seen as a phenomenon occurring solely in the Global South. The increasing shifting of social service provision from the state to corporate actors has occurred in many Western countries. For instance, Morgan and Campbell (2011) and Prasad (2016) classify it as a form of delegated governance, which refers to the “delegation of responsibility for publicly funded social welfare programs to non-state actors. In contrast to directly governed programs—in which bureaucratic agencies assume full responsibility for distributing benefits or providing public services—collective goals are realized through private entities that include nonprofit organizations and profit-making firms” (Morgan and Campbell, 2011, p. 4).

I adopt the term ‘sharing responsibility’ rather than delegation because I want to underline the theoretical importance of responsibility. The term delegation has connotations of transference. It suggests that the state is choosing to transfer previously accepted responsibilities onto corporate actors. In the context of the Global South, the degree to which the state has historically taken on responsibility for social welfare is itself subject to variation. Moreover, the term delegation can imply that the onus is on the state to choose whether or not it will pass on its responsibilities. Ideas about how responsibilities should be shared are, I argue, also a reflection of company preferences and practices. In other words, they are determined through both state and corporate preferences. This suggests that the historical relationship between business and the state shapes existing ideas about how responsibilities for social welfare provision should be divided.

Business and the state are not the only actors that need to be considered; civil society plays a central role and influences the behaviour of both state and other non-state actors. Non-governmental organizations (NGOs) in particular are in some areas of the Global South responsible for providing more social services than states. They are also often partners of corporate actors—many companies do not have the expertise to run their CSR development projects and must work together with civil society. In other words, companies provide the funding, while NGOs implement projects. Since companies finance such efforts and subsume them under CSR practices, I classify them as corporate involvement in social welfare provision even if they are implemented through partnerships with civil society.
The divergence in the ideas and processes guiding the division of responsibility for social welfare provision between state and corporate actors in Brazil and India is also a reflection of state efforts to maintain its authority. For instance, in the following chapters, I show that while the Brazilian state promotes CSR efforts and company engagement in social welfare provision, it does so in a manner that supplements rather than supplants state authority. It seeks to promote the corporate funding of social welfare, but only in areas where the state maintains some control. In the case of India, there is a more open state effort to both share responsibility and authority for social welfare provision.

In tracing the historical emergence of notions of responsibility, I also pinpoint when the responsibilities of state and corporate actors are then put on paper. The degree to which such responsibilities are taken seriously is another question altogether. My focus is on explaining trend lines in how ideas and practices of corporate engagement in social welfare provision evolve, not final outcomes. In other words, I am describing on-going processes, not the final scope of state and corporate welfare provision, nor the empirical outcomes of corporate engagement. It is still too early to predict the ultimate outcomes of this sharing of responsibility.

Finally, at a broad level, this dissertation is about development. How responsibilities are divided between state and non-state actors is also a reflection of the role these actors are expected to play in a country’s development. As is the case with many of the terms used in this project, development remains a contested concept—there is no single definition of ‘development’. The World Bank, for instance, does not provide one definition, but lists definitions of ‘economic development,’ ‘sustainable development,’ and the human development index (though it does not define ‘human development’). The concept of human development has gained increasing prominence since the United Nations Development Programme (UNDP) first formulated it in its first Human Development Report in 1990. The Report defines human development as “the process of enlarging people’s choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living” (UNDP, 1990, p. 9). It therefore emphasizes social development over purely economic considerations. The concept is the culmination of a move away from more economistic perspectives, which began in the 1970s. As
a result, recognizing that defining development is itself a fraught process, this project is guided by the concept of human development.

Methodologically, it is useful to conceive of development in its various forms as a form of social change. While this is sometimes recognized only implicitly by political scientists, in other fields the link is made more explicit. For instance, Cardoso and Faletto (1979) argue that development is itself a social process, adding that sociological interpretations can fruitfully be placed next to economic ones when trying to understand development as a form of social change. Anthropologists have also made the link more explicitly. According to Olivier de Sardan (2005), development is just another form of social change. He argues that those actions that are subsumed under the term ‘development’ “should not be isolated from the study of local dynamics, of endogenous processes, of ‘informal’ processes of change” (Olivier de Sardan, 2005, p. 24).

In the cases discussed here, how the relationship between business and the state has changed and evolved historically has developmental implications. For example, if the burden of providing social welfare is placed on corporate actors rather than the state, the fact that companies can choose the recipients of their projects (whereas governments should in theory provide for all citizens) can mean that communities can receive very different levels of provision. It also poses questions for how collective goals are set. States are, in democratic settings, meant to be accountable to their electorate, whereas corporate actors are first and foremost accountable to their shareholders. Companies can, and do, face pressures from communities where they operate, but the chains of accountability of corporate actors downward to populations affected by their operations often tend to be blurry.

A related point concerns the question of precisely what is meant by social welfare provision. Following Cammett and MacLean (2014, p. 6), I understand social welfare provision as: “the direct delivery or indirect facilitation of services and programs that promote well-being and social security.” While this includes an emphasis on education, health, and poverty reduction programs, it does not include a reference to public goods such as roads or infrastructure. Thus, it refers to the organization, financing, and delivery of some collectively desirable goods and
services (Mansbridge, 2013). In the economics literature, purely public goods are considered non-rivalrous and non-excludable, meaning that someone’s use of the good does not diminish it for anyone else, nor can others be prevented from using it. Yet this is a very strict interpretation, and often, the question of what is a public good is determined by technology and policy choices (Kaul, Conceicao, Goulven, & Mendoza, 2003), nor does everything we consider to be a public good fully meet the criteria set out in economic definitions. Clean water may be considered a public good, but if it is being provided by a corporation to communities near its plant because the state is absent, then other nearby communities may be excluded. What is easier to agree on is that goods such as healthcare provision or poverty reduction programs are all collectively desirable and adopting the term collectively desirable goods allows us to sidestep some of the traps of using the term public goods (White, 2017).

The last central concept in this work is corporate social responsibility (CSR). As with development, CSR remains contested, and even within the literature on CSR, there is still no agreement on a definition (Carroll, 1999; Crane, McWilliams, Matten, Moon, & Siegel, 2008; Dahlsrud, 2008; Williams and Conley, 2005). Not only do different theorists and practitioners disagree about the content of the term, there is also disagreement regarding the methodology that should be adopted when defining CSR (Carroll, 1999; Joyner & Payne, 2002; O'Dwyer, 2002). One of the most influential definitions was provided by Archie Carroll, who argues that: “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (1979, p. 500). In 1983, he further expanded the concept, changing the ‘discretionary’ component to ‘voluntary or philanthropic’ (Carroll, 1983, p. 604). The shift, he explains, resulted from an increasing awareness that most discretionary activities that could be observed involved voluntarism and/or philanthropy (Carroll, 1999). Carroll’s list is also meant to be in decreasing level of importance: economic responsibilities come first, followed by legal, ethical and philanthropic responsibilities.

While the research on CSR in the Global South remains underdeveloped, what exists shows that this order is reversed somewhat: while economic responsibilities trump all else, they are followed by philanthropic responsibilities. This is an important distinction to keep in mind and is supported by the findings of this dissertation.
2 The Intellectual Context

This dissertation addresses three primary scholarly debates and spans several disciplines, including comparative politics, development studies, and management. From comparative politics, it draws from and contributes to the literature on welfare states. In addressing how business and the state interact to impact the development of systems of social welfare provision, it builds on the development studies literature on the role of the state in development. Finally, it contributes to newly emerging debates on the relationship between CSR and development.

2.1 Welfare States and the Global South

The starting point for this research is the literature on welfare states. During the period of welfare state expansion in the Global North, there was an assumption that countries throughout the Global South would one day take a similar path, but this has not come to pass. This is not to say that no systems of social welfare provision emerged in these countries. Wehr et al. (2012) give the example of countries such as Brazil, where first social welfare programs were instituted in the early twentieth century; however, the ‘welfare states’ of the Global South have not come to entirely resemble the welfare states of the Global North.

The enormous expansion of social welfare provision in industrialized states, particularly in the 1960s and 1970s, engendered significant academic interest. Early theories follow the logic of industrialism, with authors such as Cutright (1965) and Wilensky (1975) arguing that welfare states emerged together with industrialization and economic growth. Such approaches downplay the role of politics in determining welfare state outcomes (Skocpol & Amenta, 1986; Myles & Quadagno, 2002). Neo-Marxist perspectives on the welfare state adopt a different focus: writers such as O’Connor (1973) argue that increasing demands on the state in advanced (monopoly-stage) capitalism necessitate the development of a welfare state. Both sets of theories maintain a focus on the movement of large economic forces (Myles & Quadagno, 2002), and by the late 1970s, there was an effort to move towards explanatory models that pay greater attention to the role of politics in shaping welfare outcomes. Authors such as Korpi (1983), Esping-Andersen (1990; 1999), and Orloff (1993) developed the power resources approach, which focuses on the relationship between labour mobilization and social policy. To summarize, class struggle
determines the outcomes of elections, and where labour is strong, it elects parties that will deliver welfare goods.

The most influential work within the power resources school is Esping-Andersen’s, *The Three Worlds of Welfare Capitalism* (1990), which continues to shape welfare state studies. Esping-Andersen emphasizes the need to account for different types of welfare states by considering not only welfare expenditures, but the content of what welfare states provide. He argues that we need to consider conditions for eligibility, whether programs are targeted or universalistic, as well as the quality of benefits and services, and their availability to all citizens. Esping-Andersen also moves beyond the question of whether leftist parties are elected to the issue of how political class coalitions are created, and whether those coalitions are either helpful or detrimental to welfare state development. In practice, this means paying greater attention to history and the broader political economy context in which different systems of welfare provision emerge. These analyses, however, have trouble explaining recent trends in welfare state development. In recent decades, welfare states around the world have faced pressure to retrench under strain from changing demographics, slower economic growth, and rising deficits and unemployment, in addition to climate change (Gough & Therborn, 2010). Historical institutionalists such as Skocpol (1992) and Pierson (2002), who focus on how political institutions and policy legacies create both constraints and opportunities for policy-makers and interest groups seeking to alter welfare arrangements are better able to account for retrenchment outcomes (Kpessa & Beland, 2013). Pierson (2002), for instance, argues that welfare programs and bureaucracies create their own bases of support (and thus policy feedback loops), entrenching the welfare state.

Overall, the literature on welfare states largely addresses the outcomes and welfare state regimes found in the Global North, which are not found in many countries of the Global South (Gough, 2004). This is not to say that certain countries have not managed to reduce poverty and inequality through social policies (for example, see Teichman (2012) on the case of South Korea). In general, though, throughout the Global South, personal and family-level security arrangements, as well as the provision of social welfare by non-state actors, remain central, and formal state institutional frameworks of social provision continue to be fragile.
Nevertheless, several recent studies have sought to turn analytical attention to welfare state development in the Global South. For instance, Haggard and Kaufman (2008) focus on welfare outcomes in Eastern Europe, East Asia, and Latin America. They consider how welfare legacies influenced both the economics and politics of social policy as these regions democratized. However, in considering pensions and health insurance, Haggard and Kaufman focus on a narrow set of welfare goods. In many states throughout the Global South, these are provided only to a small portion of the population. Rudra (2002) also turns to the Global South and shows that increased trade flows and capital mobility have had a negative impact on welfare spending in the Global South, indicating that the type of policy feedback loop described by Pierson has failed to materialize. She argues that the wide disparity in the bargaining power of labour between the Global North and the Global South is responsible for these divergent outcomes. While Rudra focuses more closely on the character of markets and labour, Gough and Wood (2004; 2006) consider the role of the state in developing a typology of systems of welfare provision in the Global South. They also provide one of the most compelling analyses of the reasons why much of the literature on welfare states is insufficiently applicable to the Global South.

According to Gough and Wood (2004), social policy in the Global North is rooted in two main assumptions: a legitimized state and a large formalized labour market (as well as a third unspoken assumption—regulated financial markets). Therefore, it rests on capitalism and a relatively autonomous state. These assumptions are not always met throughout the Global South (more precisely, the degree to which they are met varies to a greater degree than in the Global North). As a result, Gough and Wood argue that we need to adopt a slightly different terminology. They propose we consider welfare states as one type of ‘welfare regime,’ with the other two primary regimes being informal security regimes and insecurity regimes. According to Gough (Gough, 2004, p. 33), “an informal security regime reflects a set of conditions where people rely heavily upon community and family relationships to meet their security needs, to

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2 For an overview, see Mares and Carnes (2009). In addition to providing a summary, they also discuss often under-analyzed questions, including how the authoritarian roots of social policy in many contexts in the Global South helped to shape current systems of social welfare provision.  
3 Though her arguments may be true overall, they do not necessarily hold in all cases, and as the following chapters will show, in countries such as Brazil and India welfare spending has increased.
greatly varying degrees.” However, underlying these arrangements are clientelist relationships, which can prove difficult to change through efforts to reform them along welfare state lines. Finally, “an insecurity regime reflects a set of conditions which generates gross insecurity and blocks the emergence of stable informal mechanisms to mitigate, let alone rectify, these” (Gough, 2004, p. 34). According to these classifications, then, Brazil falls into a category of a potential welfare state regime, while India is an example of a less effective informal security regime (compared to more effective informal security regimes in countries such as China).

These analyses, while providing some tools for understanding outcomes in the Global South, still maintain a state-centric focus. Throughout the Global South, non-state actors have increasingly taken on important roles in delivering social welfare, and “supply social services to ordinary people even more extensively than states in many countries around the world” (Cammett & MacLean, 2014, p. 1). While Gough and Wood, in developing the concept of informal security regimes, bring up the possibility of considering the role of non-state actors, they do not go further in unpacking the differences between disparate non-state actors. In The Politics of Non-state Social Welfare, Cammett and MacLean (2014) bring together the first collection of studies that consider the political implications of non-state providers (NSPs) in social welfare provision. They create a framework for identifying the political consequences of non-state social provision along three dimensions: access (considering both equity of access and sustainability); accountability (the ability of citizens to hold providers responsible for the quality of service provision); and finally, state capacity (namely, they consider how the involvement of non-state actors influences the state’s capacity to provide, finance, and regulate welfare). The collection also considers a wide array of non-state providers, including companies (through corporate social responsibility), NGOs and faith-based organizations.

Cammett and MacLean, together with their contributors, open up the space for moving away from a purely state-centric focus in trying to understand the emergence of systems of social welfare provision, while also recognizing the centrality of the state. However, their analysis does not adequately consider how ideas about who owes responsibilities for social welfare provision, and to whom, may shape the nature of that provision. In environments where NSPs have been engaged in social welfare provision for extended periods of time, these questions are not entirely
settled. The analysis developed here builds upon their analysis by more closely focusing on how the interplay of companies and the state has shaped both systems of social welfare provision, and ideas about responsibility, in the context of Brazil and India.

2.2 Corporate Social Responsibility and Development

In the last decade, another literature has begun to emerge (mostly from outside of political science) that addresses the role of corporations in promoting human development, not simply through their economic activities, but also through their corporate social responsibility projects and programs. CSR efforts vary widely, but include the building of infrastructure such as schools and hospitals, involvement in public-private partnerships to promote education and healthcare, as well as other projects, which can broadly be understood as seeking to promote human development (Blowfield & Frynas, 2005; Sharp, 2006).

One point first requires clarification. Though often treated apolitically, companies need to be understood as political actors, not least because they are engaging in social welfare provision. One of the goals of this research is to emphasize the political nature of business activity and of companies, and to marshal the tools of political science in tackling the relationship between business and the state. However, what does it mean to consider business as a political actor?

First, I should note that I treat the terms ‘company’ and ‘firm’ as coterminous. A corporation is a type of firm, though not all firms are corporations. While acknowledging this difference, since I largely refer to corporations, I will use the terms ‘firm’, ‘company’ and ‘corporation’ interchangeably. This is consistent with the literature on firms and corporations. The defining features of any corporation are generally agreed to be: a legal personality, limited liability, delegated management with a board of directors, transferrable shares, and investor ownership (Norman, 2010).

This still leaves the question of how a ‘firm’ ought to be defined. There are numerous theories of the firm, and each provides a slightly different answer to questions about who owes what, to whom, and why (Crane, McWilliams, Matten, Moon, & Siegel, 2008; Norman, 2010). The idea that firms are social constructs is not new. It was well articulated in Berle and Means’ (1991)
1932 work, *The Modern Corporation and Private Property*, which argues that firms are essentially political constructs, and are a result of specific legal settings. Berle and Means’ book is an excellent example of the concept of the ‘socially responsible corporation’ (Ireland & Pillay, 2010).

This historical and political economy approach was set aside in favour of a more economic interpretation in Ronald Coase’s (1937) highly influential article, “The Nature of the Firm.” For Coase, firms exist because they can avoid some of the transaction costs of contractual relationships. Coase is widely considered to be the father of the contractual theory of the firm, which essentially sees the firm as a nexus of contracts between different stakeholders (Norman, 2010). Building on this definition, various perspectives of the firm have developed different answers as to what firms, particularly corporations, owe different stakeholders. One way to interpret the nexus of contracts theory of the firm is to say that all stakeholders are equally important, and that there is nothing special about shareholders. This understanding of the firm, and this questioning of the primacy of shareholders, is often an assumption held by proponents of CSR (though the assumption is usually left implicit).

The nexus of contracts theory of the firm departs from a more political and historical approach. Recently, there have been several calls to develop a more politically informed conception of the firm. For instance, Neron (2010) argues that we can consider corporations as participants in the political process (e.g., through lobbying). Therefore, particular attention should be paid to the relation between business and government.

Existing research on CSR is drawn primarily from management studies, though some of this work is fairly interdisciplinary. Very broadly, proponents of CSR argue that it provides a means of ameliorating some of the negative effects of globalization. The increasing power of multinationals, these arguments state, including their growing influence in the Global South, can allow them to have a positive social impact (Slaughter, 2004, in Levy & Kaplan, 2008). Through CSR efforts, corporations are expected to respond to societal pressures from non-state actors, while also exerting moral authority in their own right. Many of these analyses of CSR, however, fail to engage with the power inequalities between large corporations and many other actors,
providing often naïve and apolitical assessments of CSR practices.

The staunchest critics of CSR draw primarily on critical theory (Banerjee, 2006, 2007; Ireland & Pillay, 2010; Shamir, 2010), and critical legal theory (Amao, 2011; Bakan, 2004), arguing that CSR is little more than a public relations effort.⁴ The insights on CSR emerging from this literature have been central in shaping the debate about CSR, not only in the Global North, but also in the Global South. According to Shamir (2010, p. 531), “the emergent field of CSR shows capitalism’s ability to transform critique into commercial and managerial assets.” Indeed, this points to the fact that, more and more, discourse on CSR has shifted to the business case for CSR. Proponents point out that being socially responsible simply makes good business sense, arguing that CSR practices are a win-win for everyone involved. However, the business case for CSR can only achieve so much, since there are many instances in which the profit motive and the goal of being socially responsible are at odds.

There are some important shortcomings of this literature. In particular, much of it refers strictly to the context of the Global North rather than the Global South. A compilation of work on CSR, in the form of the Oxford Handbook on Corporate Social Responsibility, dedicates only one of its twenty-eight chapters to CSR in countries in the Global South. There is a divergence in how CSR is practiced in these different contexts (Visser, 2008), though in both cases economic priorities are placed highest. In industrialized countries, the focus shifts to the ethical and legal responsibilities of business, but in the Global South philanthropic priorities are placed above ethical and legal responsibilities (Visser, 2008). Consequently, much of CSR research dealing with the ethical and legal responsibilities of companies in the Global North cannot be easily applied to our analyses of CSR in the Global South.

On the other hand, considered through the lens of development studies, CSR remains insufficiently explored. Development studies as a field has yet to adequately engage with the

⁴ It should be noted that there are also purely economic criticisms of CSR. Milton Friedman (1988), for instance, presents the case of ‘the business of business is business’, while Porter and Kramer (2006) argue that businesses are not responsible for all the world’s problems, and do not have the resources to solve those problems.
involvement of corporate actors in human development. A preliminary search of leading
development journals reveals a comparatively small number of articles even mentioning CSR. 
While critical development theory has yet to more deeply engage with CSR, development studies 
has in some cases influenced writings on CSR. For instance, the work of Peter Utting (2003), 
Uwafiokun Idemudia (2007; 2010a; 2010b; 2011), and Blowfield and Frynas (2005), who have 
worked on developing a more interdisciplinary analysis of the relationship between CSR and 
development, have taken some insights from development studies.

Starting in the mid-2000s, several academics have sought to draw attention to the need to 
develop a deeper understanding of the CSR-development relationship. Idemudia (2011) notes 
that there have been calls for a more South-centered approach (Utting, 2003), a more 
development-oriented agenda (Fox, 2004), and a critical CSR agenda (Blowfield & Frynas, 
2005; Prieto-Carron, Lund-Thomsen, Chan, Muro, & Bhushan, 2006). This has led to new 
research, particularly with respect to CSR practices in extractive industries (Coumans, 2011; 
Frynas, 2009; Idemudia, 2007, 2010a, 2010b; Muthuri, Moon, & Idemudia, 2012; Owen & 
Kemp, 2012). Problems with this research agenda still remain. In particular, there is a failure to 
critically engage with the role of the state in CSR, and a failure to adopt a bottom-up approach to 
CSR analysis (Idemudia, 2011).

2.3 The Role of the State in Development

The role of the state in development has been the subject of much debate since the concept of 
development gained prominence following the Second World War. Early theories emphasized 
modernization (Lehmann, 1979), and the main ingredients of the development strategy included 
capital accumulation, deliberate industrialization, state planning, and external aid (Escobar, 
1995; Leys, 1996). As the importance of these theories waned, partly because such growth was 
These argued that governments distort market incentives and outcomes, and the state should get 
out of the way and allow markets to deliver growth. This approach also advised reducing the 
government’s provision of social services such as healthcare and education (Leys, 1996).

A renewed interest in understanding the role of ‘the state’ (Skocpol, 1985), which also began
during the 1980s, triggered a consideration of the relationship between business and the state (Maxfield & Schneider, 1997), as well as the role of the state in economic development more broadly. This emerging literature sought to provide insight into how different countries in the Global South have promoted economic development, attempting to formulate more precisely what sets of historical factors and policy choices helped to shape the variety of outcomes seen in cases such as South Korea, Brazil, and India. The statist argument, which emerged in the work of writers such as Wade (1990), Evans (1995), and Kohli (2004), considers how state intervention promotes development. Much of this literature traces the role of the state through time, in an approach influenced by historical institutionalism. Kohli (2004), for instance, traces how state power is historically organized and used to influence rates and patterns of industrialization.

This literature, though considering the role of the state in promoting different paths to industrialization, has not adequately considered how the business-state relationship also influences human development, rather than just economic development and industrialization (Teichman, 2012). Indeed, this literature does not set out to do so. Nonetheless, given the increasing emphasis on promoting the role of corporations in contributing to development, the question of how the business-state relationship also shapes human development comes to the fore.

Brazil and India are often considered within this literature. Evans, for instance, considers predatory states (Zaire), developmental states (South Korea, Japan and Taiwan), and the intermediate cases of Brazil and India. Kohli adopts a slightly different set of categories: neopatrimonial states (Nigeria), cohesive-capitalist states (Korea) and fragmented-multiclass states (Brazil and India). Brazil and India are therefore often-studied cases and are generally placed within the same analytical categories.

There is a common thread between these literatures, particularly between welfare state studies and development studies perspectives on the role of the state in development. They are all rooted in political economy and consider how economic systems and political institutions shape different state trajectories. I adopt a similar approach in this dissertation.
3 The Argument

I argue that the way business and the state interact is not only relevant for economic development, but also for the evolution of systems of social welfare provision. This interaction provides the context within which we must look for explanations for why states in the Global South are characterized by different trends in how responsibility for social welfare provision is being divided between public (the state) and private (specifically corporate) actors.

As the previous discussion made clear, gaps in existing literature mean that the outcomes described here cannot be explained using existing theoretical frameworks. Any explanation must bring these (most commonly) unconnected literatures together. In order to account for the divergent trends in how responsibility for collectively desirable goods is shared between the state and corporate actors, this dissertation develops a new conceptual framework that relies on three primary explanatory factors: differences in state capacity, particularly in terms of a state’s ability to adequately fulfill its social provision role; divergent ideas about who holds primary responsibility for social welfare provision, and to whom; and finally, the institutionalization and historical development of CSR practices. This framework is further developed in Chapter 3, which argues that each of these explanatory factors is necessary but not sufficient for developing an explanation. The three factors work in conjunction and must be understood in historical context.

State capacity, which is considered in Chapter 4, is a permissive condition. Both Brazil and India have exhibited lower state capacity to deliver collectively desirable goods than welfare states in the Global North. Neither the Brazilian nor the Indian state has historically provided a broad range of welfare goods in a universal manner. In this sense, they are representative of the larger set of cases from which they are drawn, namely the Global South. Nonetheless, there have been variations in both the degree of state capacity and in how political actors have mobilized state capacity to tackle issues such as poverty. This variation in state capacity provides the context necessary to understand why particular sets of ideas regarding the division of responsibility for social welfare provision between state and corporate actors found widespread support in each context.
The discussion of ideas, which begins in Chapter 5, provides the primary explanation for the differences observed between Brazil and India. I argue that different norms about who is principally responsible for social welfare provision exist in the two countries. Simply identifying the role of these norms is not sufficient. In addition, the question of how these norms emerged (i.e., where do these ideas come from) and how they shape existing institutions, must be addressed. Chapter 5 answers the first part of this question, showing that prevailing ideas about citizenship and about how business and the state should interact (trusteeship in India, and corporatism in Brazil) were central in shaping early notions of whether, and if so how, the state and corporate actors should share responsibility for providing collectively desirable goods. It then analyzes how the subsequent introduction of ideas about CSR and rights-based development impacted responsibility norms. Finally, Chapter 6 considers how the ideas discussed in Chapter 5 influenced the emergence of policies and institutions promoting and/or implementing corporate involvement in socioeconomic development.

Within historical institutionalism, the recent turn towards considering ideas, which is consistent with the analysis taken here, has in most cases sought to explain institutional change (Steinmo, 2008). My goal is not to explain institutional change as such, but the emergence of a particular set of ideas and practices about sharing responsibility for social welfare provision between corporate actors and the state. The empirical trends described here point to an increasing role for corporations in contributing to socioeconomic development in the context of the Global South. However, there is a variation in these trends when considering Brazil and India, which requires explanation.

This task necessitates taking a historical perspective. In the following chapters I consider the pathways that Brazil and India have taken, and which have framed their existing systems of social welfare provision. In other words, I consider the role that each factor has played at particular historical points, and their impact on the development of both state and corporate efforts to deliver collectively desirable goods.

I begin the analysis by considering key historical moments when systems of social welfare provision began to take shape in the context of countries in the Global South. This is not to say
that no such provision existed historically; however, in most instances, it is possible to identify a central point when more formalized institutions of social welfare provision were established. In many countries of the Global South, where the end of colonialism came later, the early formation of such institutions often took place following the achievement of independence. In cases where independence was achieved earlier, as in Brazil, the process of establishing welfare institutions began well after independence.

In such moments, state capacity shapes what states can do. Under conditions of limited state capacity, states must decide on the scope and coverage of the welfare institutions being established. This decision is also influenced by prevailing ideas about where state responsibilities lie, and to whom the state owes such responsibilities. Here, the conceptualization of citizenship is central. How various rights (including political and socioeconomic rights) are established can shape state responses. In contexts where citizenship rights are circumscribed, limited state capacity can mean that the state extends social welfare provision only to those who are included. In other words, in cases where political rights are not equally distributed, broader socioeconomic rights can be promised to a defined group. On the other hand, in contexts where political rights are ensured (even if only in theory), as is often the case in democracies, the state may choose to limit socioeconomic rights. This distribution of rights can interact with any existing notions about state responsibilities. In Brazil, European migrants arriving in the 19th century, and coming from states where early systems of social welfare provisions were emerging, placed greater expectations on the state than was the case in contexts such as India.⁵

By extension, prevailing political institutions—whether these be democratic or authoritarian—matter. However, the role of democratic institutions is not definitive. In cases where a circumscribed notion of citizenship is established, a movement between authoritarianism and democracy does not automatically entail a movement towards a broader conception of citizenship. As the case of Brazil will show, brief experiments with democracy in the post-WWII

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⁵ European debates on welfare did have an impact in India, but in a more circuitous way. The work of John Ruskin, an early thinker on welfare states, strongly influenced Gandhi’s thinking on trusteeship.
period did not significantly alter understandings of citizenship. Such change only came during the democratization process of the 1980s.

Finally, during such key historical moments, how business and the state interact can shape the expectations placed on business to engage in social welfare provision, and the institutionalization of that engagement. Under corporatist arrangements, the state may bring business in to supplement its social welfare provision under defined arrangements, and within which the state likely retains some degree of control. In more pluralist environments, the willingness of business to become a partner in socioeconomic development can be more central to determining the nature of its involvement. Here, the ideas that both state and business actors hold about what responsibility business has for social welfare provision are central. Such ideas can predate those moments when institutions responsible for social welfare provision take shape. The case of India is particularly interesting in this context since one of Gandhi’s defining theoretical contributions—trusteeship—sought to redefine the relationship between the economy and society (and by extension, to spell out responsibilities businesspeople hold to society more broadly).

In sum, during key historical periods, ideas about who holds responsibilities for social welfare provision, and to whom, emerge. Moreover, the parameters of business engagement are set, though this can be done through either formal (for instance, official corporatist institutions) or informal mechanisms (for example, the norm of trusteeship). Such arrangements between business and the state can then become enduring and set in motion path-dependent processes that may be difficult to change.

Subsequent moments of crisis can place pressure on existing arrangements. In the case of countries such as Brazil and India, where the state played a strong role in economic development (even if under slightly different arrangements), crises in the 1980s helped to usher in processes of economic opening in the 1990s. Crises also produced a shift in the relationship between business and the state, at the same time as ideas regarding corporate social responsibility were being introduced from abroad. But this shift was accompanied by another one: in both Brazil and India, there was a move towards a rights-based approach to social welfare provision.
As a result, the next step of the analysis considers how the introduction of these new sets of ideas influenced already existing understandings of how responsibility for social welfare provision should be divided between state and corporate actors, as well as existing institutional arrangements. In Brazil and India, new ideational shifts produced only partial changes. In both cases, despite the declining role of the state in economic development, there has been a high degree of consistency in the business/state relationship, meaning that how the two have engaged historically continues to shape state policies towards CSR, as well as company practices.

3.1 Explaining the Outcomes Observed in Brazil and India

While the following chapters will explore in greater detail the explanatory factors of state capacity, dominant ideas regarding responsibility, and the relationship between business and the state, here I briefly summarize how these arguments account for the differences observed between Brazil and India. This explanation is presented visually in Figure 1, which lays out the pathways taken by Brazil and India in the evolution of business and state engagement in social welfare provision.

3.1.1 Summarizing the Indian Case

The Indian independence movement, which started in the late 19th century (the Indian National Congress was established in 1885), began to agitate more strongly following World War I (Metcalfe & Metcalfe, 2012), and by the end of World War II, it was becoming increasingly clear that Britain could not hold onto India. The crisis of the British Empire set the stage for India’s independence on August 15, 1947 (and the subsequent partition of British India into the states of India and Pakistan), and it was following independence that the parameters for how social welfare provision should be organized were established. Then Prime Minister Jawaharlal Nehru’s government faced extreme fiscal constraints. These constraints necessitated that the state make some tough choices.

Though Nehru was committed to socialism, in practice the goal of maintaining national sovereignty, which required industrializing the economy, took precedence over the expansion of social welfare provision (Kohli, 2004). Nehru argued that India’s first goal must be to aim at
plenty (Kattumuri & Singh, 2013). The country’s leaders did not deem India’s indigenous capitalist class strong enough to drive economic growth on its own (Lockwood, 2012), and Nehru’s socialism expressed itself in the state’s adoption of a strong role in the economy (Parekh, 1991). Nehru was primarily concerned with establishing the foundation of a future socialist society, rather than with the more immediate goal of reducing poverty (Parekh, 1991).

As a result, India’s commitment to social welfare provision was not broad. The rights enshrined in the Constitution concern liberty, and welfare rights were placed in the non-binding Directive Principles of State Policy, which was essentially a collection of the state’s good intentions (Jayal, 1999). Social welfare was therefore conceptualized as a matter of state largesse. A paradigm shift has arguably only occurred in recent decades with the rise of rights-based legislation.

Ideas about which actor holds responsibility for social welfare provision were also central to shaping these outcomes. Though the state in India only began to take on a more significant role in social welfare provision following independence, experimentation with ideas about who is responsible for social welfare began earlier. There is a historical linkage between philanthropy and corporate social responsibility in India (Sundar, 2013), which in turn has consequences for how the term CSR is understood today. At the root of present-day understandings of CSR is the notion of trusteeship, as espoused by Gandhi during the independence struggle. Gandhi argued that the wealthy should see themselves as the trustees of their wealth, should retain only what is necessary for their personal use, and give the rest back to the needy. At the same time, Gandhi developed a strong relationship with many of India’s large industrialists, and several business houses, including those belonging to the TATA and Birla families, became involved in spreading education and in the building of healthcare facilities.

Gandhi came to support such industrial families, including during labour disputes when he took the side of industrialists rather than workers. Underlying trusteeship from a very early stage was a tension regarding how capital is accumulated; the focus of trusteeship in practice is more strongly on what businesspeople do with their profits, rather than on how they make their profits.
Figure 1: Pathways taken by Brazil and India, explaining the role of social welfare provision (SWP) becomes shared between corporate sectors and the state. Brazil and India are characterized by limited state capacity with limited state capacity between business/entrepreneurship and the state. Brazil and India are characterized by limited state capacity with limited state capacity between business/entrepreneurship and the state.
After independence, as Kohli (2004) notes, Nehru’s political preferences were for the poor to share in some of the fruits of development, and these preferences found their way into the Congress Party’s nationalist rhetoric. The state’s practices, however, emphasized economic development. Given India’s dedication to equal political rights, as enshrined in its constitution, and given the country’s recent experience with colonialism, creating a circumscribed system of social welfare provision (as existed in Brazil) was not a desirable possibility. Instead, Nehru came to reluctantly encourage trusteeship, even though he was highly critical of the concept before independence (Rolnick, 1962). Nehru began to argue that while the class struggle is always there, trusteeship and Gandhi’s approach can somehow remove it. He needed the political support of the propertied classes, and trusteeship thus came to play an important ideological role.

While trusteeship did find support amongst many of India’s industrialists, it was not the only factor to shape the position of business actors towards the state. During the inter-war period, Congress became increasingly supportive of the idea that India should have a centrally planned economy. India’s industrialists, while perhaps disturbed by some of Congress’ statements on state ownership, nevertheless increasingly began to promote the idea that India needed a strong sovereign government that would support the country’s development (Lockwood, 2012).

As a result, limited state capacity combined with an emphasis on political over socioeconomic rights, and Gandhi’s notion of trusteeship, to shape early systems of social welfare provision. These systems were characterized by a more limited state role, as well as some business philanthropy, usually in the form of development projects (focusing on education, health, etc.). This is not to say that corporate involvement ever exceeded that of the state, but rather that at the same time as state systems of social welfare provision were emerging, so was corporate engagement in socioeconomic development. The result has been the slow emergence of a norm

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6 As Chapter 6 shows, some of those industrialists came together to create the Bombay Plan, which called for state intervention in the economy. While more sceptical interpretations of the Plan see it as more of a ruse by India’s industrialists (see Chibber, 2003), others suggest that the Plan reflected a more genuine commitment to state planning not because business was necessarily in favour of such planning, but because they saw it as congruent with their own interests (Lockwood, 2012).
that responsibility for social welfare provision should be shared between businesspeople and the state.

During the subsequent rule of Indira Gandhi, triggered in part by the state’s inability to deliver on some of its development promises, challenges to the Congress Party arose. Indira Gandhi responded by turning Congress into a more populist and personalistic organ, and she promised to alleviate poverty with her 1971 announcement of garibi hatao (Kohli, 2001). However, limited funds were actually dedicated to the government’s anti-poverty programs, consistent with post-independence trends (Kattumuri & Singh, 2013).

The state’s relationship with the business sector soured during this period. High taxes and licensing measures instituted by the government served to fragment the business sector (Sundar, 2013), while also making it a more marginal actor vis-à-vis the state (Rudolph & Rudolph, 1987). At the same time, a series of scandals tarnished the reputation of the business sector. This led to renewed calls from some of India’s more prominent industrialists for companies to behave ethically and to contribute to socioeconomic development. The state also started providing tax breaks for company engagement in rural development, and by the 1980s, there was a shift away from more philanthropic corporate engagement, to business involvement in community development (Sundar, 2013).

In the late 1980s a larger pro-market shift began in India, with the year 1991 often being identified as the year of India’s opening. However, India, as Kohli notes: “remains an economy that is mainly driven by Indian producers producing for the Indian market” (Kohli, 2012, p. 36). While there was initial resistance from some producers who had benefitted from the previous system of protectionism and licensing, many of these changes were made as executive decisions, and were pushed through by a narrow coalition. The long-term result, nonetheless, has been the growing political and economic power of private business (Kohli, 2012; Mathur, 2013). Business actors have sought to increasingly wield that power, both indirectly (by seeking to influence political decision-makers) and directly (through the operation of business associations). At the same time, corruption scandals have continued to plague the corporate sector, and many of the
newly emerging business associations have worked to promote CSR in order to both prevent future corporate malfeasance and protect companies’ reputations.

Trusteeship and CSR have evolved in tandem with these changes in the relationship between business and the state. Starting in the late 1990s, the concept of corporate social responsibility began to be used in India, influenced by understandings of CSR prominent in Europe. Once the concept of CSR entered discourse in India, it became fused with trusteeship. According to a long-time CSR practitioner, “CSR was something that came to India from overseas, but the moment it came to India, we transformed it into what we thought it should mean” (Interview INB13). Similar to trusteeship, CSR has been strongly focused on company contributions to socioeconomic development rather than the ethical behavior of companies. While CSR has now become more institutionalized, and there has been a move away from purely philanthropic contributions to more developed CSR programs, the ideological importance of trusteeship persists.

A second ideational shift has also had an impact on how notions of responsibility for social welfare provision are shared between state and corporate actors in India. Beginning in the late 1990s, the idea of a rights-based approach to development gained prominence. Championed by development scholars such as India’s Amartya Sen, it was picked up by social movements calling for the right to food, work, and information (Jenkins and Manor, 2017).

Partly driven by these trends and the state’s growing fiscal capacity, since the beginning of the new millennium the Indian government has greatly increased public spending on social goods. While much of this expansion occurred under the first United Progressive Alliance (UPA) government, within which Congress was in coalition with leftist parties that put pressure on the government to deliver pro-poor programs, they were expanded even further after those leftist parties left the coalition. They have also continued under the current Bharatiya Janata Party (BJP) led government (though, as the following chapters will show, the BJP has been accused of
killing through neglect the National Rural Employment Guarantee scheme, the main program developed by the previous administration).  

This suggests that the rights-based shift in social policy development may represent a slow move away from the perception of social welfare provision as a matter of state largesse to the notion that the state has a responsibility for delivering collectively desirable goods. However, as Jayal concludes: “The new regime of SERs [social and economic rights] also does not signify a substantial break from the procedures and practices of the old one” (2013, pp. 192-3). For instance, targeting in social welfare programs continues to be the norm, meaning that much still relies on the state’s decision of who should or should not be included. Despite greater spending, which has resulted in a mushrooming of social welfare programs, it is not clear that the state’s commitment to social welfare provision has greatly changed.

Moreover, while the state’s fiscal capacity has increased, its implementation capacity, which is required for the effective delivery of social programs, continues to falter. Overall, many of the country’s social programs underperform; for instance, studies show that 58 percent of subsidized grains distributed as part of the Target Public Distribution System, one of the country’s main anti-poverty programs, is diverted and never reaches the intended beneficiaries (Niehaus & Sukhtankar, 2013, p. 52). These deficiencies in state capacity have influenced the state’s decision to legislate CSR practices; during Parliamentary debates on CSR, there was a high degree of support for this legislation.

Consistent with historical trends, even while the notion that the state has a responsibility for social welfare provision has strengthened, statements from state actors in India signal that this responsibility ought to be shared by corporate actors. When the CSR legislation was debated in

7 There have been some pressures from below pushing the state to improve its systems of social welfare provision, and there were some efforts to institutionally include those voices. For instance, the first UPA government created a National Advisory Council, through which it could network with civil society at the policy level (Mathur, 2013; Goswami & Tandon, 2013). However, the Council has since been disbanded.

8 In practice, this usually means relying on measures of below/above the poverty line, which in the Indian case have historically resulted in very large exclusion errors (Mutatkar, 2013).
Parliament, Sachin Pilot, then Minister of Corporate Affairs, introduced the CSR provisions by arguing that corporate actors have an increasingly larger role to play in the country’s development, and in reducing the problem of inequality. At the same time, while legislating for CSR spending, the government has given businesses a great deal of leeway regarding how that spending is organized. As a result, some of my interviewees argued that the primary goal of the legislation is not to control corporate contributions to welfare provision, but to increase them (Interview INA6).  

The historical involvement of corporate actors in socioeconomic development under the auspices of trusteeship, and then CSR, also ensured that the new Companies Act was easier to pass. As one commentator noted: “Companies will say… we have already been doing this, we just didn’t call it this necessarily” (Interview INA15). In other words, many larger and more politically powerful companies were more ambivalent towards the legislation, or were supportive, in part because they were already committed to CSR spending.

This suggests that the institutionalization of CSR has also been important in understanding both state policies for promoting CSR, but also company responses. CSR has become more institutionalized in India in recent decades. While this has been partly the result of the history of trusteeship, and the growing resonance of the norm that responsibility for socioeconomic development should be shared by state and corporate actors, it has also been driven by broader company interests. In recent years, companies have found that they need to improve their practices in order to continue their operations without too much disruption from civil society, communities where they operate, or the state. State policies for promoting CSR have also shaped company interests, with Companies Act 2013 encouraging increased company spending, while allowing companies to maintain significant control over the nature of their CSR projects. The resultant focus of CSR in India has been fairly broad, with company projects seeking to address a number of goals, including poverty alleviation, education, and healthcare.  

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9 The timing of the legislation itself suggests that state actors promoting it had less than altruistic concerns. The new Companies Act was passed right before an important election, at a time when corporate scandals were dominating the news. As a result, the incumbent government needed to show that it was doing something to hold companies accountable for their actions.
In sum, in recent decades, the evolution of systems of social welfare provision in India, and corporate involvement in that provision, has been characterized by both continuity and change. Its increasing fiscal capacity has enabled the state to expand its social welfare provision to a degree, but continuing problems with implementation capacity have helped to turn the state to its long-established practice of openly supporting the notion that business should share in the responsibility of promoting the country’s socioeconomic development. The CSR provisions of the Companies Act 2013 represent a formalization of already existing ideas and practices.

3.1.2 Summarizing the Brazilian Case

When describing recent trends in CSR in India to informants in Brazil, the response was always largely the same — ‘That just couldn’t happen here.’ Beyond the issue of institutional set-up, my informants state that social provision is primarily the responsibility of the state. By contrast, many of the corporate actors encountered in India openly note that they do have some responsibility for development, often stating that the government simply cannot do it all alone.

How did such expectations arise? While in the case of India, considerations of fiscal capacity help explain why social welfare provision was not pursued more vigorously following independence, in the case of Brazil, ideas about who should be a recipient of state provision combined with limited capacity to determine state policies. When the beginnings of a welfare state were established in Brazil under Vargas in the 1930s, state programs provided fairly generous benefits, but to a very limited segment of the population. Though there were some efforts to further expand social welfare provision beyond a limited pool of recipients during the military dictatorship, a more significant expansion of such systems did not materialize until the 2000s.

This emphasis on the state as the provider of welfare is more historically rooted in Brazil. According to a prominent Brazilian historian interviewed for this project, the emergence of ideas about what the state is responsible for goes back to the late nineteenth century (Interview BRB4). Slavery officially ended in 1888, while the rise of the coffee economy created an increasing demand for labour. However, Brazilian elites were concerned about the racial make-up of the
country – its non-white population far exceeded that of countries such as the United States (Skidmore 2010). There was consequently an effort to promote European immigration into Brazil. However, many of the Europeans arriving in Brazil were shocke
Overall, during the period of the 1920s-1940s, the early parameters of a system of social welfare provision were therefore established. Limited state capacity combined with a focus on graduated citizenship within a corporatist framework, to provide generous state provision for a limited sector of the population. This was accompanied by a growing norm that it is primarily the state’s responsibility to deliver collectively desirable goods, even if many Brazilians did not believe that the state owed this responsibility to everyone equally.

Vargas’ rule ended in 1945 (though he was democratically re-elected in 1951), and a new democratic constitution was passed in 1946. In the ensuing period, the corporatist institutions developed under Vargas continued to operate. During the more left-leaning rule of Joao Goulart (1961-64), the government sought to pass what it referred to as ‘basic reforms’ covering political rights, greater state intervention in the economy, and agrarian reform (Fausto, 1999). The changes were opposed by Brazil’s dominant classes and the growing middle class, helping to trigger a coup that brought the military to power in 1964. The subsequent military regime pursued continuity with the Estado Novo. The new government sought to reduce the power of labour unions and to rationalize social protection systems by creating a unified social security institution (the National Security Institute) (Santos, 2013), while also privatizing much of healthcare provision (Malloy, 1979). The state also continued to maintain a close relationship with business. The country’s corporatist structures, rather than any prevailing ideas about business responsibility akin to trusteeship, therefore continued to shape the relationship between business and the state.

Starting in the 1970s, as support for the military regime dwindled, the demand for rights and democratic participation increasingly became linked to demands for social security, as social movements demanded equal citizenship under the banner of Cidadania (citizenship) (Leubolt 2015). The process of democratization, which took place roughly between 1985 and 1988 represents a second key historical moment, culminating in the 1988 Constitution (Fenwick, 2009). The Constitution, the writing of which included the involvement of social movements, sought to guarantee social rights, and to further extend citizenship rights. This contrasts greatly with the Indian case, where at independence, political rights were enshrined within the constitution, but these were not accompanied by strong state commitments towards ensuring that
socioeconomic rights be met. This has resulted in an impressive effort to universalize systems of
social welfare provision, from healthcare and education, to poverty reduction (particularly
through the use of conditional cash transfer programs such as *Bolsa Familia*).

However, it is useful to once again consider the question of state capacity in understanding this
shift. While both Brazil and India can continue to be described as having limited state capacity,
the Brazilian state has historically developed what Schneider refers to as “archipelagos of
excellence” (2016, p. 16), areas of the bureaucracy that operate well and allow the state to pursue
its goals. Such higher bureaucratic capacity has characterized the administration and rural
implementation of programs such as *Bolsa Familia* (BFP) (Schneider, 2016).

Support for such programs was initially high, buttressed by the notion that the Brazilian state
holds the primary responsibility for social provision. The 1988 Constitution further entrenched
this idea. It argues that the government has the responsibility to organize social welfare. While in
power, the PT embraced this notion, as evidenced in the types of social policies it adopted.
Moreover, how CSR has been promoted is consistent with this understanding—the state has been
less willing to share responsibilities for delivering collectively desirable goods with corporate
actors. Though it supports CSR practices, it does so in a manner which retains a high degree of
authority with the state.

The promotion of CSR also began during the democratization process, speeding up in recent
decades. This is largely a story of several key business entrepreneurs, who saw CSR as an
opportunity to bring attention to what they perceived as overlooked concerns in Brazil, and went
on to found organizations promoting CSR. Though the root goals of these various organizations
differed to a degree, all sought to promote the greater involvement of business in social
development. These leaders questioned the existing corporatist arrangements, and the movement
initially created a linkage with the PT, supporting Lula’s election, which gave it further political
legitimacy in the 2000s. This relationship, however, did not last, and many members of
organizations promoting CSR have moved away from their support of the PT.
During this time, while traditional business elites and institutions seemed more accepting of neoliberal economic influences, the CSR movement was more muted in its support (Pena, 2014). Rather, it sought to bring greater attention to issues of social and economic inequality, which had crystallized during the democratization process. During the 2000s, ideas about CSR began to spread more rapidly. However, while there is a growing number of companies which take CSR more seriously, there is still general agreement that the primary responsibility for providing collectively desirable goods falls on the state.\(^{10}\)

This shows that, as with India, the period of the late 1980s and early 1990s triggered a series of changes, but the shifts also reflect both continuity and change. The 1988 Brazilian Constitution, and the Brazilian democratization process more broadly, “did not seriously threaten the corporatist legacy” (Power & Doctor, 2004, p. 226). Power and Doctor (2004) argue that rolling back corporatism was never on the agenda of democratic transition. Yet at the same time, the rise of civil society and social movements during the democratization process made Brazilian society more complex, challenging existing corporatist structures. As a result, what has since been emerging is a mix of corporatist and more pluralist structures, with corporatist legacies persisting, despite the fact that popular democratic participation has also increased through processes such as participatory budgeting.\(^{11}\)

Overall, while the state’s role in social welfare provision has expanded, the role of business in socioeconomic development remains more limited in scope and focus (with much of it centering on education), than is the case in India. The norm that it is primarily the state’s responsibility to engage in delivering collectively desirable goods persists, and the state has sought to promote CSR only insofar as it can control the nature of company involvement in social welfare provision. While the relationship between business and the state has become more pluralistic in Brazil, the pull of corporatism remains.

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\(^{10}\) I want to reiterate that the analysis here largely ends at the point when the PT lost power in 2016. The subsequent period has been politically turbulent, making it difficult to make any strong conclusions about whether the trends described here are changing.

\(^{11}\) As part of this process, local-level municipal groups meet and participate in annual assemblies to determine priority investment areas for budgets (Tranjan, 2016).
Given the lack of theoretical attention to how business and the state interact in the development of social welfare provision in the Global South, the arguments developed over the following chapters therefore make important contributions to several theoretical debates in comparative politics, development studies, and management. By also creating a conceptual framework that seeks to understand trends in how responsibility for delivering collectively desirable goods is shared by state and corporate actors, this dissertation provides a blueprint for potential future studies in other contexts in the Global South.

Chapter 2 first establishes the divergence observed between Brazil and India. It analyzes how responsibility for social welfare provision has come to be shared between state and corporate actors. Chapter 3 then establishes a theoretical framework for explaining this divergence and focuses on establishing the three primary explanatory factors: state capacity; ideas regarding responsibility for social welfare provision; and finally, the relationship between business and the state and the institutionalization of CSR. Chapters 4-6 then consider each of these explanations in turn. Chapter 7 concludes by summarizing the argument and analyzing the theoretical contributions of this research project.

4 The Method

This is a work of comparative historical analysis, and the approach I undertook largely responds to what Yom (2014) has termed inductive iteration. Within comparative politics, there is often an attempt to present conclusions as having been arrived at through deduction. In other words, researchers derive hypotheses from existing theoretical debates, and generate results that these hypotheses should produce. They then collect relevant data, and compare it against the results they expected, in order to determine whether their hypotheses are confirmed or disconfirmed.

Reality, however, is often much muddier than such an approach allows. Instead, Yom argues that many researchers move back and forth between a set of theories and a growing data set, trying to make sense of their findings. Such an approach differs from deduction in that research begins with a clear set of interests, but not necessarily full-fledged hypotheses. Rather, the researcher adopts theoretical hunches, which might explain the outcomes one is interested in. Second, once some data is collected, the researcher returns to her/his early propositions to see if they can
provide a satisfactory explanation of the observed outcomes. If the answer is no, or if the explanation that can be derived is incomplete, the researcher returns to her/his theorizing. This cycle is repeated until satisfactory explanations are developed.

The research presented here followed procedures of inductive iteration. Before conducting any fieldwork, I began with several theoretical hunches. These were not full-fledged hypotheses since I was considering questions that remain under-researched, while also drawing from literatures that rarely speak to each other. I then set out to collect my data, undertaking four research trips: March-June 2014 (India), October-December 2014 (Brazil), February-April 2015 (India), and June-August 2015 (Brazil). The iterative nature of my research allowed me to go back and forth between my cases, which was particularly helpful in highlighting the differences between the two countries.

In India, most of my research took place in New Delhi, with a short research trip to Mumbai. In Brazil, I primarily conducted research in Sao Paulo, which is the most important economic centre in the country, and most relevant institutes working on CSR are headquartered there. I also undertook a short research trip to Rio de Janeiro. During the entire period of fieldwork, I conducted 91 interviews. This included interviews with CSR practitioners in companies, researchers in various think tanks and research institutes, CSR practitioners working in foundations, civil society actors, and government representatives. I also sought to follow the news and collect relevant data on both countries’ economies and perspectives on development.

Throughout my research, I adopted a qualitative approach: in particular, semi-structured interviews, analysis of policy documents, and some participant observation. As Bloor (2001) points out, adopting more than one methodology is more likely to throw light on the phenomenon being studied. I adopted the use of semi-structured interviews since they can capture subtle complexities of how people think and make decisions and are a good means of uncovering and describing social/political processes (Rubin & Rubin, 2005; Herod, 1999). Semi-structured interviews allow for probing, while ensuring that one’s main questions are answered (Bernard, 2006). While I had several key questions, I developed a new question list before every interview, tailoring it to the identity of each interviewee.
The interviews I undertook were primarily of elites. Though researching elites is not without its problems (in particular, asymmetrical power relations can sometimes work against the researcher), the benefit of interviewing elites is that one largely does not encounter problems of interacting with vulnerable groups. Moreover, my research questions were not of an overly sensitive nature, and I took pains to ensure that interviewees understood that nothing they shared would be abused. All interviewees have remained anonymous within the final work.
In his pioneering work on welfare states, Esping-Andersen (1990) focuses on how the family, the market, and the state interact in social welfare provision. Welfare states, therefore, are part of a larger welfare mix, and the market in this framework tends to refer to provision through private welfare schemes, which may or may not be directly subsidized by the state (an example is private pension funds). As Gough (2004; 2014) points out, this welfare mix is not sufficient to explain outcomes in much of the Global South, expanding it to include both a community dimension and a supra-national dimension. Throughout the Global South, non-state actors often engage in the delivery of social welfare services, sometimes more extensively than states (and many are often funded by international donors).

Corporate social responsibility spending does not fit neatly within any of the above categories. What distinguishes it from some of the other forms of market provision is that funding comes from the companies themselves (in other words, companies are not contracted to deliver social welfare on behalf of government), though the method of delivery can vary. Companies can either implement programs themselves or do so in partnership with civil society actors (and even in partnership with the state). The international discourse on CSR has sought to promote such engagement throughout the Global South, arguing that companies ought to contribute to sustainable development. Yet the ways in which companies are coming to share this responsibility with state actors remains underexplored.

Before I turn to that task, it must be noted that such corporate involvement is still dwarfed by state spending on social welfare provision. For example, many large Indian companies express a strong rhetorical commitment towards playing a role in socioeconomic development. However, their total spending is still comparatively small. According to a report from KPMG, in 2016, of the top one hundred Indian companies covered by the provisions of Companies Act 2013, ninety-three were required to spend two percent of their profits on CSR. Their overall spending stood at
9,518 crore (95,180 million) rupees (Jayaram, et al., 2017, p. 8). By contrast, for the year 2016-17, the Indian government committed 9,700 crore (97,000 million) rupees for the Mid Day Meal Scheme, which is just one of the government’s social welfare programs (Ministry of Human Resource Development, 2016). Nevertheless, the passage of the Act is having an impact on CSR spending, with research showing that the overall level of funds spent has been increasing, with more than 90 percent of companies spending money on health and education, with the rest focusing on the environment and rural development (Jayaram, et al., 2017, pp. 8-9). This suggests that as the Indian economy grows, so will the spending on CSR.

Thus, while CSR programs continue to be only a small portion of overall spending, the general trend in both Brazil and India is towards a greater corporate involvement in socioeconomic development. This trend is both an ideational one, with CSR strengthening as a norm, and a fiscal one, with increasing company spending. While the overall trend may be similar, however, important differences remain in both the ideas guiding the division of responsibility for social welfare provision between state and corporate actors, and in CSR practices.

These divergent trends are not mapped out in existing literature. Previous studies that have considered the relationship between business and the state in Brazil and India have found them to be similar cases. However, such studies focus on how the business/state relationship shapes economic and not social outcomes. When we consider social policies, this conclusion no longer holds. No comparative studies seek to systematically identify the differences in the current involvement of companies in social welfare provision, nor in state policies towards such corporate engagement. This chapter begins this discussion.

I commence by establishing the context of social welfare provision, showing that both states have sought to shift towards a rights-based approach to promoting social welfare. However, I argue that increasing corporate involvement in both contexts has taken place despite greater state involvement in social welfare provision. I then briefly survey the differing policies of the state

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12 Here I specifically refer to Brazil and India. Some studies are beginning to consider how the business/state relationship impacts social policies and outcomes (see for instance, Handley (2009) on AIDS policies in South Africa).
towards corporate involvement in social welfare provision. The chapter then turns to a discussion of CSR itself. It first briefly contextualizes the Indian and Brazilian cases within the larger number of cases in the Global South, showing how an emphasis on company contributions to development has come to characterize CSR practices.

I then turn to how CSR itself is understood in the two countries. I show that while literature often adopts the term CSR uncritically, a closer examination reveals important similarities and differences in how CSR is understood and practiced in Brazil and India. Subsequent chapters then explore the reasons behind, as well as the implications of, these differences.

1 Current Systems of Social Welfare Provision in Brazil and India, and the Promotion of CSR – A Brief Overview

Both Brazil and India have achieved notable rates of growth in recent decades. At the same time, both the Brazilian and Indian governments have sought to develop a number of pro-poor programs which are meant to alleviate the poverty still faced by large sectors of both populations. Driven in part by a greater emphasis on rights, both states have passed legislation and developed programs that seek to promote social welfare.

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13 Brazil’s GDP grew by an average of 4.5% between 2006 and 2010, and an average of 2.1% between 2011 and 2014, before the country entered a recession and the economy shrank by 3.8% in 2015 (Brazil Overview, 2016). As of 2017, Brazil has exited the recession. The Indian economy has grown at a higher and steadier pace. Between 2006 and 2010, it grew at an average of 8.4%, though growth declined to an average of 6.5% between 2011 and 2014 (Riley, 2015). (These calculations are based on data available from the World Bank (2016).) However, some concerns have been raised about the growth data that has been provided by the government of India. In early 2015, government statisticians changed how they calculated growth, and the GDP growth for 2014 was upgraded from 4.7% to 6.9% (Riley, 2015). Therefore, debates remain about the precise status of the Indian economy.

14 During the tenure of the PT, Brazil was seen as having achieved significant success with its social policies, while India has come under criticism because of a perceived lack of progress on a number of fronts. It must be noted, however, that there is a wide disparity in the challenge facing the two states in terms of addressing poverty. This disparity makes any comparison of welfare outcomes difficult.
The overall system of social welfare provision in India is heavily focused on social protection. Kapur and Nangia (2015) note that since the 1990s, of the two pillars of social welfare policy—public goods (including education, healthcare and sanitation) and social protection schemes—the latter has taken precedence. This has included social assistance programs which seek to combat poverty and labour market programs (public works), which target unemployment. The latter seeks to address problems stemming from the country’s large informal market.

Some of the main mechanisms used have included the Public Distribution System (PDS) (which in 1997 became the Targeted Public Distribution System), which provides food subsidies to those below the poverty line, as well as the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA), which guarantees 100 days of employment to all rural households with adult members who are willing to provide manual labour for various local development projects. These programs are among many implemented in recent decades, with the total amounts spent on social protection increasing five-fold in real terms between 1991-2 and 2012-13 (Kapur & Nangia, 2015, p. 79).

However, challenges remain, both in terms of social protection schemes and the provision of collectively desirable goods such as education and healthcare. In terms of food security, for instance, the recent passage of the National Food Security Act (2013) has yet to produce noticeable changes on the ground. Food inflation remains high, and the Public Distribution System has come under severe criticism for alleged wastefulness and corruption. Access to quality affordable healthcare also remains a challenge for most Indians, with many families being pushed into poverty because of healthcare costs (Dev, 2015; Chaudhuri, et al., 2015).

Finally, the delivery of public education remains very poor. The Right to Education Act, passed in 2009, promised to deliver free and compulsory education to all children between the ages of 6 and 14, based on principles of equity and non-discrimination. However, results have been limited. A 2014 Human Rights Watch Report, which considers the effects of the Act four years after its passage, concludes: “[w]hile nearly all primary school children are enrolled in school, many millions do not actually attend classes. Often, this is because their caste, ethnicity, economic condition, religion, or gender acts as a barrier to education” (Human Rights Watch, 2014: p. 1).
Underlying these trends is the larger story of continuing poverty in India. According to World Bank estimates (which are provided by the Indian government), in 2012, some 21.9% of the population, or just over 270 million people, lived below the official poverty line of $1.90 per day (India Development Report 2015; World Bank, 2016). The official ‘poverty line’ remains a subject of continuing debate; it is widely accepted that poverty, especially rural poverty, remains a significant challenge. Levels of poverty and other development outcomes also vary greatly across different states in India, making any broad generalizations difficult.

While my goal is not to explain the adoption of these policies nor resulting outcomes, this brief overview provides the context within which company engagement in social welfare provision under the auspices of CSR has emerged. Similar to India, Brazil has also invested in expanding its social welfare policies in recent decades. The recent turn in Brazilian politics, however,

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15 When the higher poverty line of $3.10 per day is considered, then some 58% of the population lives in poverty (World Bank, 2016).

16 According to measurements provided in the India Development Report, the figure of 21.9% for 2012 is a significant improvement from the figure of 37.2% for 2004-2005, and 35.97% for 1993-1994. This suggests that since the period of high economic growth began, poverty rates at first increased, before declining. The rates of poverty differ across India, with wide disparities between rural and urban areas (33.8% vs. 20.9% in 2009-10), and across states (e.g., 12% in Kerala and 53.5% in Bihar) (India Development Report, 2015).

17 The Indian Constitution grants primary responsibility for many public services to states rather than the central government. Education, health, and agriculture are examples of important policy areas that largely fall under the purview of states. The dedication of various state governments towards promoting such goods has varied and this has been reflected in a diversity of welfare outcomes. Kohli (2012) notes that states such as Kerala and West Bengal have been more successful in reducing poverty since the early 1980s, for example, even while they have been less successful with respect to other goals (e.g., West Bengal’s literacy levels are close to the average for India as a whole). Nevertheless, despite these differences, it is still worthwhile to maintain a focus on the central government’s policies. According to Kapur and Nangia (2015), the central government provides states with significant financial assistance to provide public goods, while also wielding considerable influence on the resulting state policies (particularly in the case of education). Moreover, while a program such as NREGA requires the participation of state and local governments (the Act stipulates that individual states must develop an employment scheme that meets the requirements set out in the Act), it is a national program funded by the central government.

18 The country has improved significantly since 1988 in terms of its welfare outcomes. Inequality was reduced, and Brazil’s Gini coefficient, which peaked at 0.63 in 1989 (Coutinho, 2013, p. 303), declined to 0.513 in 2015 (the last year for which data is available) (World Bank, 2016). A
requires that this discussion be bracketed to the period of the PT’s rule, ending in 2016. The impact of current events on welfare programs remains to be seen.

The most well-known example of this expansion is Brazil’s conditional cash transfer program Bolsa Família (BFP). Other policies include the Brasil Sem Miseria (Brazil without Misery) Program, designed to reach all Brazilians facing extreme poverty. The Program provides beneficiaries with monetary transfers, in addition to improving their access to public services (education, healthcare, sanitation and electricity) and helping them obtain a livelihood.

There has also been an effort to expand the delivery of important public goods such as healthcare and education. The 1988 Constitution enshrined the principle of health as a right of all Brazilians, and in 1990 the government created a national publicly funded healthcare system, Sistema Único de Saúde (SUS). Education is similarly guaranteed by the Constitution. While many Brazilians continue to lament the quality of education, particularly primary education, the adult literacy rate now stands at 90.4% (UNDP, Human Development Report 2014, 2014, p. 193). However, educational attainment in Brazil has historically tended to vary across class and racial lines, especially in higher education. To address some of these trends, in 2012 the government adopted the use of quotas for Afro-Brazilian and mixed-race students, mandating that they should have preferential entry to federal universities. This has resulted in an increase in university attendance of Afro-Brazilians or mixed-race Brazilians (rising from 2.2% in 1997 (for ages 18-24) to 11% by 2012 (UNDP, Human Development Report 2014, 2014, pp. 103-4)). Finally, the state has sought to improve access to housing, creating the Minha Casa Minha Vida (My House My Life) Program, which creates affordable housing for impoverished Brazilians (mostly in the country’s overpopulated urban areas).

The Bolsa Família Program, which has achieved international acclaim, is thus just one of a larger set of policies designed to reduce poverty and inequality in Brazil. During the period

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quick comparison of the first Human Development Report (published in 1990) and the 2014 Report reveals the broad changes in Brazil. The 1990 Report uses Brazil as an example of a country that ought to be doing better given its level of income. The 2014 Report, on the other hand, is positive about the country’s performance, revealing for example that between 1996 and 2006, infant mortality was cut by half (UNDP, 2014, p. 106).
between 2001 and 2008, according to certain measures, 28 million people (out of an approximate population of 194 million) were lifted out of poverty (Trubek, Coutinho, & Schapiro, 2013, p. 39). *Bolsa Familia* alone has been linked to a 16% decline in extreme poverty (UNDP, Human Development Report 2014, 2014, p. 88). The overall result has been that between 2001 and 2008, while GDP grew at an average of 3.3%, the income of the poorest 10% grew six times faster than the incomes of the richest 10% (Coutinho, 2013, p. 303). However, it is unclear if the gains made in Brazil can be sustained given the recent right-wing turn within Brazilian politics.

This brief overview provides the broader context for understanding different state policies towards promoting corporate involvement in social welfare provision under the auspices of CSR. In the case of India, much of the focus has been on increasing the private sector’s contribution to socioeconomic development. The passage of the Companies Act 2013 formalizes this in law, requiring all companies of a certain size to spend two percent of their profits on CSR. However, while the Indian state promotes corporate involvement in socioeconomic development, the broader contours of how that involvement should emerge are left to the discretion of the companies themselves. The Indian state is signaling its intention to share its responsibility for social welfare provision with the private sector.

Brazil, on the other hand, has taken a different approach to promoting CSR. The Brazilian Constitution not only guarantees positive rights, such as the right to education and the right to health, but it also places on the government the responsibility for organizing the provision of social welfare. During its rule from 2002 until 2016, the PT took this role seriously, which was also reflected in how CSR was promoted. Through tax breaks, the lending policies of the country’s development bank, BNDES, and legal mechanisms known as conduct of adjustment agreements, the Brazilian state promotes CSR insofar as it can retain some control over the nature of that involvement. In this sense, it seeks to retain the primary responsibility for organizing how collectively desirable goods are delivered.

2 Corporate Social Responsibility Practices in Brazil and India

Brazil and India provide two examples of CSR practices in the Global South. As the previous chapter demonstrated, most of the research on CSR refers to the Global North, and what we
know about CSR in the Global South suggests that though economic priorities trump all else in both the Global North and the Global South, philanthropic activities are placed above ethical and legal responsibilities in the Global South, which is a divergence from CSR practices in the Global North (Visser, 2008). Available research suggests that in the Global South, CSR efforts vary widely but include the building of infrastructure such as schools and hospitals, or the provision of some collectively desirable goods such as sanitation, all of which broadly seek to contribute to human development (Blowfield & Frynas, 2005; Sharp, 2006).

Corporate contributions to development have been further promoted by international organizations such as the UN Global Compact. While the Compact initially sought to encourage the involvement of corporate actors in development more broadly, since the passage of the Sustainable Development Goals (SDGs), it seeks to provide blueprints through which companies can contribute to the SDGs. The SDGs, in turn, identify business and industry as being a central partner for achieving the Goals, mentioning in particular companies’ CSR practices (Sustainable Development Knowledge Platform - Business and Industry, 2018).

As my interview of a representative of the UN Global Compact in India revealed, underlying the work of organizations such as the Global Compact is also the tacit recognition that states may lack the capacity to engage in social welfare provision on their own.

There is a growing tendency for welfare states to withdraw from welfare provision. This is happening because many states are finding it hard to keep the welfare activities going. There is a clear drying up of public capital. And with this context, many of the governments find it hard to have the money to… carry on spending their resources on essential services like health, education. This is what has been making the lives of those at the bottom of the pyramid… difficult. While there are no public finances available, government is also looking to private capital to be plowed back to essential services…. They have also been inviting philanthropists…. It is being seen as a way… to get companies to supplement the state. (Interview INA23)
Limited state capacity is particularly a concern across the Global South, contributing to the trend of companies and the state sharing responsibility for delivering collectively desirable goods.

The Global Compact and the SDGs adopt the term corporate social responsibility uncritically; they do not engage with what this term may mean in particular contexts. Understanding how global ideas about company responsibilities are then taken up in specific countries requires further study. How responsibility for social welfare provision is shared between the state and corporate actors is determined by both what the state promotes and allows companies to do, and by what companies are willing to do. In other words, how CSR is institutionalized matters. This not only refers to company practices, but also to the very understanding of corporate social responsibility and related terms such as sustainability or responsible business. During my fieldwork, it very quickly became clear that while covering many of the same concepts, the terminology used in Brazil and India differs. Moreover, how CSR is practiced exhibited important similarities and differences. I discuss some of these similarities and differences below.

2.1 What’s in a Name? Defining CSR in Brazil and India

Decoding the meaning of CSR in India is complicated by the sheer number of other terms used in practice, including responsible business and sustainable development. Defining CSR has been a matter of contestation, with different normative preferences guiding alternative definitional approaches. Overall, CSR has come to be understood as community development and is seen as a subset of responsible business. Responsible business, in turn, is associated with sustainable development.

The contestation surrounding the definition of CSR needs to be understood in historical context. Trusteeship, as espoused by Gandhi, rose to prominence in India in the post-independence period. With its strong stress on philanthropy, trusteeship emphasizes the question of what businessmen should do with their wealth, rather than considering how business is conducted. When the notion of CSR entered India, it came up against trusteeship, and the two became fused. One of my interviewees, who was incidentally one of the first people to have something resembling ‘CSR’ in his job title, describes the introduction of the concept of CSR in India as
follows: “CSR was something that came to India from overseas, but the moment it came to India, we transformed it into what we thought it should mean” (Interview INB13).¹⁹

This merging of the outside notion of CSR with existing ideas about the responsibilities of business came to have lasting consequences. In becoming fused with trusteeship, the component of CSR that emphasizes how a company operates was largely lost, and CSR is largely equated with philanthropic spending on community development. As this understanding of CSR became solidified, there was an effort to either redefine it, or to find new terms, which could focus attention back to the behavior of companies. This effort was led by researchers and CSR practitioners coming from both business and civil society. As one commentator put it: “In 2008, we began with ‘Death of CSR’, just to say that corporate philanthropy is a part of it, but it is not how we should define corporate responsibility. So we came up with the guidelines which are the National Voluntary Guidelines (NVGs)” (Interview INA15).

The NVGs attempt to move away from CSR, and to focus on ‘responsible business’ or ‘business responsibility’ (the two terms are often used interchangeably), and refer to how a company operates, in addition to their CSR.²⁰ To make matters more complicated, sustainability has also become a popular term, with the definition of responsible business provided in the NVGs directly incorporating notions of sustainability.²¹

Thus, when speaking with corporate actors in India, confusion can occur, particularly when using the concepts of responsible business and sustainability. While most agree that CSR has come to refer to community development activities, this does not mean that disagreements on what CSR ought to mean have been settled. These disagreements came to the fore when the CSR provision

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¹⁹ He also noted that the emergence of CSR in India was primarily introduced from European sources, not from the United States.
²⁰ The Guidelines Drafting Committee, which put together the document, was created in April 2009, but its roots were laid by an expert group created in 2008 through the bilateral cooperation of the Indian Institute of Corporate Affairs (IICA) and GIZ (the German development corporation, which has played an important role in promoting CSR in India).
²¹ It should be noted, however, that the word sustainability is rarely taken to refer to the sustainability of CSR development projects as such – rather, it is informed by ideas derived from sustainable development discourse.
of the Companies Act 2013 was first discussed. An initial draft of the CSR clause sought to provide guiding principles for CSR, which state that: “CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good… CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good” (Proposed Draft Corporate Social Responsibility Rules under Section 135 of the Companies Act, 2013, 2013).

Though there was generally not much debate about the CSR clause of the Bill within Parliament, my interviews suggest that behind closed doors this definition of CSR was heavily discussed. Corporate actors and business associations expressed dissatisfaction with this section of the CSR clause, and all reference to the ‘common good’ was dropped from the final legislation. The final legislation does not even attempt to define CSR, simply arguing that companies must spend two percent of profits on activities listed in Schedule VII. The activities listed were directly drawn from the Millennium Development Goals (MDGs). By emphasizing development, and community development in particular, the understanding of CSR promoted by the government is inherently linked to the MDGs, and now the Sustainable Development Goals (SDGs).

At a more macro level, the discussion of how to define CSR has centred on questions regarding its ability to contribute to development. However, for the companies themselves, the contestation surrounding CSR has centred more closely on the ‘strategic role’ of CSR. Companies, even when trying to understand how CSR might contribute to development more widely, tend to focus more closely on the potential of CSR to contribute to their bottom line. CSR is also a means for companies to obtain a social license to operate. Depending on the company, they may seek to identify different ‘types’ of CSR and choose to promote each one differently. The head of CSR for a large public-sector undertaking (PSU), for instance, argues that their CSR spending goes in silos. While one silo focuses on communities directly impacted by their operations (he calls this ‘strategic CSR’ because it helps the company obtain a social license to operate), another focuses on other areas of the country. He notes: “because we are a PSU, we have the parliamentary committees watching down on us, so they will take us aside, and say, in my constituency, do [this]” (Interview INA13). This indicates that a company can have different strategies (e.g.,
appeasing communities or appeasing one’s political bosses), which in turn can produce disparate, and potentially conflictual, lines of accountability.

In the case of Brazil, CSR was introduced primarily from the United States, which has had important implications for how the term has evolved. The process of promoting CSR more earnestly following democratization began through US foundations such as the Kellogg Foundation, and was taken on by a number of Brazilian businessmen who had been educated in the United States. As a result, an understanding of CSR that emphasizes the behavior of business has emerged.

Unlike in India, philanthropy does not invoke positive connotations – most Brazilians have historically negatively viewed the Portuguese word *filantropia.* This view persists and is reflected in how companies view their social commitments. When companies choose to contribute to programs or to engage in social development, they often say: ‘We want to teach them how to fish, not give them a fish.’ Simply giving money through philanthropic foundations is viewed with suspicion, and a concern that the money will be wasted. This is not to say that philanthropic engagement has not been present in Brazil. Starting as far back as the 1960s, some companies began to adopt philanthropic practices closely tied to ideas of Catholic commitment and charity. Following democratization in the 1980s, as CSR began to emerge, so did an attempt to promote the involvement of corporate actors in social development. However, since the word philanthropy has negative connotations, the term *Investimento Social Privado,* or private social investment (PSI) was adopted, and in the early 1990s two (at times competing) institutions emerged, one promoting PSI and the other promoting CSR.

PSI is perceived to be more programmatic and systematic than philanthropy. Establishing this perception was not easy - as one interviewee put it, one of the challenges for actors and organizations promoting PSI initially was to create trust that these organizations would not waste company money (Interview BRB8). In practice, PSI very closely mirrors the understanding of

\[22\] Some authors have also argued that because the Brazilian bourgeoisie was historically embedded in deeply clientelist relations, it was not interested in contributing to social development (Sanchez-Rodriguez, 2014).
CSR in India, as both terms often refer to corporate involvement in community development. The *Grupo de Institutos, Fundacoes e Empresas* (Institutes, Foundations and Corporations Group – GIFE), the main organization promoting PSI in Brazil, defines PSI as the voluntary transfer of private funds in a planned systematic and monitored manner, towards social, environmental and cultural projects of public interest (GIFE, 2016). Often, companies engage in PSI either through their own foundations, or by contributing to organizations such as GIFE, or partnering with other non-profit bodies.

There is therefore a strong linkage between PSI and community development, with one commentator noting that: “sometimes community development is one strategy of PSI. [This] is typical for large companies that have a strong impact in the community” (Interview BRA16). PSI is therefore understood in a fairly circumscribed way, while CSR is understood to be something larger – i.e., CSR is associated with *how* a company does business. PSI then, is “seen as this specific part of CSR”, while CSR is broader. “PSI is 1% of the [company] budget, CSR is about the other 99%” (Interview BRA16).

Unlike in India, there has been no legislation that defines these terms. *Instituto Ethos*, or the Ethos Institute, which is the main organization promoting CSR in Brazil, provides a good gauge for what CSR has come to mean. While it does not define CSR directly, it states that it seeks to mobilize, encourage and help companies manage their business in a socially responsible way, making them partners in building a sustainable and fair society (Ethos, 2016). Their mission statement includes helping companies to understand the concept of socially responsible corporate behavior, and how those responsibilities can be fulfilled, allowing companies to contribute to social, economic, and environmentally sustainable development. This last point is central—it signals the link between CSR and sustainable development. As one commentator put it: “CSR has also become a little outdated, it is being replaced. Sustainability is the new buzzword. Now everything is sustainable. The CSR movement has been able to incorporate this – the idea that CSR is about sustainability, or that sustainability is the next level of CSR” (Interview BRA16).

Like the case of India, these terms have been, and continue to be contested. For the organizations seeking to promote them, the goal has been to defend each individual approach, and the
accompanying terminology against alternative formulations that can occupy the same discursive space (and vie for company funds). Confusion can, and does, arise, and, as one commentator put it: “people do still mix them up” (Interview BRA16). However, since the terms PSI and CSR evolved concurrently, with each being represented by a separate body, the level of confusion is lower than in the case of India.

In order to understand how these ideas and practices have emerged in Brazil and India, I adopt the term CSR in a holistic sense—CSR is understood to include the various terms, including responsible business and private social investment. However, I do so while acknowledging that using the term CSR can obfuscate some of the specificity that characterizes CSR practices in each context. As a result, where it is necessary to make a more detailed distinction, the relevant terms will be used.

While this is further considered in subsequent chapters, the very importance of each of these understandings also tells us something about business perceptions of their responsibilities to share the burden for providing collectively desirable goods. In India, the most popular term, CSR, connotes company involvement in community development, while in Brazil, the less popular term, PSI, has the same connotation. Therefore, this variation suggests that the notion that companies should share such responsibilities with the state differs in the two contexts.

2.2 Similarities in the Architecture and Practices of CSR

Despite the differences in how CSR is understood in Brazil and India, there are important similarities in CSR practices. One important point of commonality is the simple fact that CSR has become more institutionalized in the last two decades, with much of that growth taking place within the last ten years. Despite this, in both Brazil and India, most commentators note that only a handful of companies have highly institutionalized CSR practices. In many instances, CSR also remains a top-down process. Finally, in both contexts, CSR is more developed in larger companies, with small and medium-sized companies (SMEs) showing less of a commitment to CSR practices. This is likely to become further emphasized in India, since the Companies Act does not apply to SMEs. Similarly, in Brazil, a significant portion of investment in CSR and PSI
still comes from large companies, which are more likely to have organized and structured programs (Wilner, 2014b).

The latest notable CSR trend that is developing in both Brazil and India concerns what many commentators describe as a push towards ‘the professionalization of CSR’. This push can be understood in two ways. Firstly, it can be understood as a push for more institutionalized, developed CSR practices. Depending on the types of accountability mechanisms put in place, professionalization could result in more profound benefits for communities. At the same time, however, this push can be understood as being a part of the ‘business case for CSR’. If the ‘professionalization’ implies closer alignment with business practices, this can raise serious questions about the developmental impact of a project. In other words, the devil is in the details.

The question that needs to be considered in any particular case is how this push for greater professionalization is shaping a company’s CSR practices. For instance, if the company has a corporate foundation, is the foundation losing autonomy to design projects with community goals in mind? This movement is not unique to India or Brazil but is part of a global trend in both the Global North and South. Driven in part by both academic arguments which emphasize that CSR, when done professionally, can have a positive impact on the bottom line, my interviews reveal that some companies are increasingly taking such arguments seriously.

Overall, the architecture of CSR in Brazil and India is not clear-cut, and there are several ways in which CSR programs can be established and implemented. These types of CSR arrangements are

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23 The fact that CSR practices are largely found within larger companies represents an important caveat for the arguments made in this dissertation. While much of the following discussion proceeds by discussing ‘business’ or ‘companies’, I do so recognizing that this categorization obscures a wide variety of companies, both in terms of their size and in terms of the industry to which they belong. Rather, I describe general trends in Brazil and India.

24 One of the underlying theoretical concerns when studying CSR is the degree to which it can prioritize social interests (or in the language of management studies, stakeholder interests) over the bottom line (i.e., shareholder interests). The push for professionalization can potentially strengthen the latter, even while making CSR practices more institutionalized within a company.

25 Other companies, though noting this trend, emphasize that their goal is still to primarily make a difference in the communities where they operate. Moreover, the effects on foundations, and their autonomy, are ambiguous, though my interviews in Brazil reveal an increasing reduction in the autonomy of corporate foundations.
fairly consistent across different contexts in Brazil and India. There are also a number of actors that can be involved.

Firstly, a company can establish in-house capacity to implement CSR. This includes situations that are referred to as ‘checkbook philanthropy’ whereby the CSR department identifies recipients of funds, and issues checks. A CSR department can also choose to implement projects itself, though this is still rare, since most companies lack capacity. However, even when companies do not fully implement their projects, they may choose to complement their CSR practices with activities that do not require outside assistance. For instance, one Indian company studied carries out tree-planting drives, with workers from their plants going to nearby communities to plant trees. While this is not the pillar of the company’s CSR strategy, it is designed as an activity to help bridge the gap between employees and local communities (Interview INA19).

Secondly, a company can establish a separate foundation, which is then tasked with implementing CSR projects. A significant portion of large Indian and Brazilian companies have foundations, though these are more present in the private than the public sector. The autonomy of these foundations from the parent company is not always clear.

Finally, CSR projects can be implemented in partnership with NGOs and/or government. These partnerships can be initiated by CSR committees or departments within an organization, or by company foundations. The dynamics of engagement between companies and other actors in implementing CSR projects are fraught with potential benefits and challenges.

Though limited, some data exists on the division between such arrangements in Brazil and India, particularly with respect to foundations. In the case of Brazil, more information is available,

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26 The list does not stop there. CSR projects can also be developed with community organizations and faith-based organizations, which are strictly speaking different from secular NGOs. For the purposes of simplification, I only consider NGOs, which are the most common potential partner for companies.
largely through data provided by GIFE in their latest (2014) survey. Since the survey is produced by GIFE, it technically produces an overview of PSI, rather than CSR in a broader sense.

The survey looks at 113 organizations (representing some 90 percent of GIFE membership) (GIFE, 2014, p. 4). One of the results of the survey reflects the make-up of PSI within the sample: of 113 respondents, there are 60 institutes and corporate foundations, which are managed by people connected to the company; 19 family-run foundations; 14 community foundations (these are non-profit organizations, bringing together funding from more than one company) and independent foundations (which also draw funds from more than one source, and whose management is independent of the funding companies); as well as 20 companies (meaning that these companies primarily implement programs internally).

In the case of India, foundations have historically played an important role in operationalizing a commitment to socioeconomic development amongst Indian industrialists. Some of the earliest foundations were founded prior to independence, with the Sir Ratan Tata Trust dating back to 1919. However, the larger presence of foundations is a more recent phenomenon. A study on corporate foundations in India, which analyzed 300 of the largest companies listed on the Bombay Stock Exchange (BSE), found 153 foundations associated with 142 of the listed companies. Of these, only 18 were established prior to 1979 (Mukherjee, Paduwal, & Mehta, 2015, p. 14). The stated purpose of most of these foundations is the same: to contribute to social development and empowerment of the poor, most commonly in regions where their parent companies operate. The foundations largely describe their relationship with their parent companies as being more developed than just a donor-recipient arrangement, and they receive office space and logistical support from their companies, while enabling the firms to present their socially aware and responsible side (i.e., they provide companies with a reputational boost) (Mukherjee, Paduwal, & Mehta, 2015).

A survey of the foundations studied found that while some choose to implement all of their development projects unassisted, most do engage in partnerships with NGOs. However, a majority choose not to partner with other companies or foundations, signaling that companies compete with each other within the development space (Mukherjee, Paduwal, & Mehta, 2015). Some other interesting findings from the report include a lukewarm desire to partner with government actors when implementing programs, with many lamenting the ‘inefficiencies’
In the case of both India and Brazil, the most common types of foundations are corporate foundations and family foundations, though other forms exist. Examples of corporate foundations include Itaú-Unibanco Institute in Brazil and Axis Foundation in India. In line with much of the CSR work in Brazil, Itaú-Unibanco Institute (affiliated with Itaú-Unibanco, the largest financial entity in Latin America) focuses primarily on education. The Institute works in the field of secondary school education and seeks to improve the capacity of public schools throughout the country (Interview BRB14). Axis Foundation is affiliated with Axis Bank, the third largest private sector bank in India. Axis Bank began its CSR operations in 2004, when it partnered with Lifeline Foundation, which provides emergency care for victims of highway accidents (Axis Bank Foundation - History and Strategy, 2016). A public trust was created in 2006, which set aside one percent of company profits for the work of the foundation. Since 2010, the Foundation has focused much of its work on livelihood creation, with its Livelihood Programme seeking to improve opportunities for income generation of impoverished groups (Interview INA9).

However, there are other types of foundations which do not fit neatly into the category of corporate foundations, but which nonetheless receive corporate money. In the case of Brazil, for instance, these include what GIFE refers to as independent, as well as community foundations. Such foundations receive funds from multiple corporate actors, and they may also receive government and/or other funding. This category can also include family foundations. The category of family foundation is a difficult one to adequately categorize, since much depends on how they are established. If the foundation is simply linked to a family business, it may be similar to a straightforward corporate foundation. However, if its funding is ensured through some form of pre-determined formula, meaning that the associated company has little say over which come along with such partnerships. Finally, the Report finds that more than half of these foundations have no external monitoring mechanism which measures the impact of their activities.

28 Foundations, including corporate foundations, may have a higher degree of autonomy than a CSR department within a company. This may mean that they have a greater ability to pursue goals without consideration of the company’s bottom line. However, there is insufficient research to judge how much autonomy exists.
how much money goes to the foundation, then the dynamics of the foundation and the company change. It is therefore useful to briefly consider such outliers which do not fit neatly into the classifications listed above.

For instance, the Tata Trusts are the most notable family trusts in India (this includes the Sir Ratan Tata Trust, established in 1919, and the Sir Dorabji Tata Trust, founded in 1932). The Tata Trusts own two-thirds of the stock of Tata Sons, which is the apex company of the various Tata companies (Trusts, 2016). This means that two-thirds of profits earned by the Tata companies go into the trusts to be reinvested back into communities. According to the Trusts’ (2016) website:

The Tata Trusts continue to be guided by the principles of its Founder, Jamsetji Tata. With the Founder’s vision of proactive philanthropy and his approach to ‘giving’, the Trusts catalyse societal development while ensuring that initiatives and interventions have a contemporary relevance to the nation.

The Trusts, which have been operating for nearly 100 years, retain a degree of financial autonomy through these arrangements. The Tatas are widely seen as having significantly contributed to India’s socioeconomic development and are still viewed favourably by most Indians. This in turn contributes to both brand recognition and the trust that Tata companies generally receive.29 The work of individual Tata companies is separate from the Trusts. The companies have individual CSR departments, which in many cases operate similarly to those found in other companies.

Other types of foundations, including independent foundations, operate separately from companies, but receive company funding. In such cases, how the relationships between companies and foundations are established matters. According to the representative of one independent foundation, there can be three types of engagement. Firstly, there is pure

29 This helps to insulate the company from the impact of bad publicity in cases such as an incident in 2006 during which 12 protesters agitating against a Tata Steel project were shot in Odisha (Chakravarti, 2014, p. 160).
philanthropy, with a company writing a check, and expecting ‘nice pictures’ for their reports. Secondly, there are companies which come on board a project, but only for a limited time (e.g., one year). Thirdly, there are companies which seek to engage with the issue at hand, and this commitment may be sustained over a longer time. According to the commentator, this is the most desired form of corporate partner (Interview BRA17).

In both Brazil and India, company CSR policies are often informed by their industry and the impact of company operations. For instance, India’s Maruti-Suzuki invests in road safety and driving schools (Interview INA19), while Brazil’s AmBev, the largest brewery in Latin America, heavily invests in responsible consumption, particularly in relation to drinking and driving (Interview BRB12). A decade ago, they began with a campaign for picking a designated driver, which included donating breathalyzers to government agencies. They also have programs designed to decrease underage drinking, including a partnership with one of Brazil’s largest supermarket chains to remind cashiers to ask for ID when selling alcohol.30

Finally, public companies generally play a more prominent role in social welfare provision than private companies. Public sector companies in both countries occupy a different space vis-à-vis

30 In general, in the case of industries that require greater access to land (for example, the production of steel), CSR can come to play a number of roles. In the case of India, CSR and land acquisition have increasingly become intertwined. Since independence, over 60 million people have been displaced in India through land acquisition (Mathur, 2011, p. 1), many of whom ended up facing extreme poverty. Beginning in the 1990s, the desire for land from the private sector grew rapidly, particularly in the context of the creation of special economic zones (SEZs), and the government has used the language of ‘eminent domain’ to help companies obtain access to land. This has created a great deal of political backlash, which has had two notable effects. Firstly, it has forced the government to finally pay attention to issues of resettlement and rehabilitation (passing the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013). Secondly, it has forced companies to pay closer attention to communities, often through CSR policies. Thus, the line between rehabilitation and resettlement policies and CSR can become blurred. This is also sometimes reflected in who is hired by companies to run CSR programs. As one CSR practitioner noted, there are numerous cases of CSR departments hiring former army personnel (he notes that this is particularly prevalent in the construction industry). He notes further that: “when the land is not forthcoming, they throw their weight around” (Interview INB13). This is not to say that the CSR projects that companies subsequently implement are without any merit—however, this highlights the fact that often CSR projects may be efforts to appease populations unhappy about how their land was taken.
society than purely private companies. Many public companies were initially founded during periods of strong state involvement in the economy and were created as ‘agents of development’. Examples of such companies are numerous. In the case of Brazil, the most significant example is Petrobras. Petrobras is not only one of the largest oil companies in the world, it also accounts for a huge portion of the country’s GDP. The company invests significant funds in its social development programs. In 2013, this figure stood at some 780 million reais (Petrobras, Sustainability Report 2013, 2013, p. 39). While this only represents a small portion of the company’s profit (less than one percent), many of its commitments are being sustained even through unfavourable times. While the company posted a loss in 2014, its social spending was only slightly reduced to 612 million reais (Petrobras, Sustainability Report 2014, 2014, p. 44).\(^\text{31}\)

This is reflective of the fact that with public companies, the state has a greater say over how, and how much, companies spend on CSR projects. As one CSR manager at an Indian PSU noted, “we are accountable to Parliamentary committees and they can ask any question under the sky,” (Interview INB11) while a CSR representative of a major Brazilian public company concluded that: “[public companies] somehow work as an extension of the state” (Interview BRB7). In other words, the state can more easily influence public companies to share responsibility for providing collectively desirable goods.

In sum, there are important similarities in the architecture of CSR within companies in both Brazil and India, and in how companies come to share responsibility for social welfare provision. These similarities also extend to how corporate actors manage relationships with communities, civil society, and the state.

2.3 Implementation of Projects and Relationship to Communities, Civil Society, and the State

How a company plans, delivers, and measures the results of projects, and establishes lines of accountability, are important considerations. All the company representatives I interviewed, if

\(^{31}\) This does not include the contribution of these companies to development through the payment of royalties, which are determined by the government. For instance, recent legislation in Brazil ensures that all future oil exploration contributes to social welfare, with 75% of royalties from the so-called presalt layer going towards education and 25% towards healthcare.
they operate projects in specific communities rather than on a national scale, insist that the participation of communities is important in planning their projects. Often, however, they are very slim on the details of how that participation is ensured. For instance, many simply note that they attend village meetings to determine how project priorities should be set. It is not clear, however, to what degree this can qualify as effective participation. As with development projects more generally, ensuring effective participation is difficult and can require a high commitment, which many companies lack. As one commentator, who runs an NGO network that acts as a watchdog for the business sector, put it in the case of India:

> There are companies that want to do some good around their plants. Then there is far more openness to participation of communities in deciding their priorities. There, it is more of a lack of skill by companies about how to do this… Overall, as long as communities are not interfering, or the community part does not interfere with their business interest, I think corporates will be open to participation. Which is to say whatever welfare stuff they have in the offer, communities are free to pick and choose from that (e.g., school, primary healthcare, etc.). (Interview INB18)

In terms of implementation, most of the companies interviewed do not run their projects directly, but do so in partnership with NGOs, which are usually service-oriented. The relationship between service-providing NGOs and corporate actors is not necessarily a smooth one. My fieldwork reveals a great deal of overlap between Brazil and India in terms of the challenges faced by both corporate actors and NGOs in trying to negotiate these relationships. The two sides often distrust both the motivations and the competencies of the other. In Brazil, in particular, recent corruption scandals have left many companies viewing NGOs as “shady” (Interview BRA16).

This lack of trust was an overarching theme that emerged in my interviews. There is still a largely adversarial relationship between companies and civil society, despite the increasing role of NGOs in helping companies to implement their CSR projects. This is partly a result of the fact that companies sometimes have trouble conceptually differentiating between NGOs as service
providers and as advocacy groups. As the CSR representative of a large Indian mining company argued with respect to NGOs being funded under the CSR clause of the Companies Act:

The moment you get [CSR funds], you will not be able to have a watchdog role. From a corporate perspective, I will not want to partner with an NGO which is a watchdog. From a citizen perspective, I think they are very important. They should be able to get funds from the citizenry… [But] advocacy groups will not get CSR funding. From a corporate perspective, I will hate Greenpeace, but they are important. (Interview INA18)

This also indicates that the question of trust is closely intertwined with decisions regarding funding. The overall relationship, thus, continues to be adversarial.

Companies and corporate foundations also tend to view the governance structures of many NGOs as problematic. In India many companies believe that NGOs are more personality-driven than companies or corporate foundations, and that they are less likely to follow established formal procedures, particularly in terms of tracing spending (Mukherjee, Paduwal, & Mehta, 2015). Bringing such pre-conceptions into their partnerships with NGOs can cause friction.

However, much depends on who companies hire to run their CSR departments. There are instances in which companies hire individuals who previously worked in civil society organizations. In such cases, it is easier to establish trust between the NGO and the company. Overall, there is insufficient research on who CSR managers are – my interviews reveal a wide array of individuals with very different backgrounds. In some cases, CSR departments are run by engineers, business professionals, and lawyers, while others are run by development professionals with former careers in civil society. I have also encountered CSR departments run by former government bureaucrats and retired military officers. Further research would be needed to ascertain precisely how this impacts the dynamic of CSR departments, though government legislation can make a difference. India’s Companies Act 2013 requires the establishment of a CSR Committee, and ensures that this Committee reports to the Board of Directors. This can serve to strengthen the bargaining power of CSR managers, while the 2% provision hopefully ensures continuing funding.
The challenges that arise between NGOs and companies can sometimes be reduced when companies come onboard already existing projects. The NGO can then give the company an example of a functioning project, so the company will know exactly what they are supporting. However, in the words of one informant, “when it is a matter of new projects, this becomes an issue” (Interview INA3). The company may have unrealistic expectations about what may be possible in a particular area. One informant gave the example of a company wanting to contribute to an education project by donating computers (Interview INA3). However, the community in question has very limited and unreliable access to electricity. The NGO had to convince the company that donating computers would not adequately meet community needs, and that both the NGO and the company should engage with the community to determine the best way to move the project forward.

Finally, companies sometimes choose to partner with government actors to implement their projects. In other instances, they simply need the consent of government (e.g. in cases where permits may be required). This relationship can become complicated for a series of reasons. For instance, government actors can demand that companies fund their pet projects. There is increasingly a fear in India that the 2% provision will increase these types of demands (Interview INB15).

Developing relationships with government, even when money is not demanded, can be difficult. Though present in both countries, this was a more pronounced concern in Brazil, where companies expressed that government actors largely distrust companies, and their development efforts. According to one CSR practitioner: “as a maximum, they look to you as an institution that has money. It is difficult to demonstrate to government that you are trying to build public goods. They don’t believe that. That is why the government challenge is so strong” (Interview BRB14). Another CSR practitioner concluded that: “the corporate [sector] doesn’t work very close to the government yet, sometimes one doesn’t talk to [the] other. Normally the companies think that it is a waste of time to talk to them, and they need to be less bureaucratic” (Interview BRA12). Both noted that the mentality of government and corporate actors needs to change in order for such relationships to improve. Even when a rapport is established, a change of
government can lead to renewed difficulties. In the words of one CSR practitioner: “sometimes you spend six months negotiating with a city, but maybe the mayor changes, and everything goes downhill” (Interview BRB3). In sum, while it is through CSR that responsibility for social welfare provision comes to be shared between the state and corporate actors, in instances where the two engage directly in running projects, numerous difficulties persist. Even if there is a stronger acceptance that companies should share in this responsibility, as is the case in India, the details of how they should do so remain subject to contestation.

When companies are partnering with state and other non-state actors, one very important developmental concern that must be addressed is the question of coordination, which can be very difficult to achieve. This is not a challenge that goes unnoticed. In both Brazil and India, corporate actors and organizations promoting CSR recognize the need for coordination if CSR is to have a more significant impact.

In the case of India, some hope that the new Companies Act can improve coordination efforts. However, there is uncertainty regarding how that coordination is meant to come about, and in the words of a CSR practitioner at a large public company: “the mechanisms by which this should take place are not clear to me, and it is not clear that they know either” (Interview INB11). For this reason, there is a concern that the CSR clause of the Companies Act 2013 will primarily serve to produce more ad hoc development projects, which will co-exist with the myriad development efforts already being run by the Indian government. This would mean that the Act’s potential developmental impact will at best be limited.32

There is also the question of how the success of a project should be defined and/or measured. Overall, my interviews revealed that companies have difficulty conceptualizing what makes for a successful project. Companies stress that they want to see an impact, but what that impact should be, and where accountability should lie, are points of confusion and contestation within companies and in their dealings with communities and civil society. Difficulties can also arise when considering how outcomes are measured. For instance, one manager of a corporate

32 The ultimate effects of the Act are only likely to become apparent once it has been in force for some time.
foundation describes the process as follows: “[we] look at the income aspect, whether there has been a 40 or 50% increase in income. E.g., a farmer used to get 50 kg of rice, now he gets 90 kg” (Interview INA9). However, not all projects lend themselves to that form of measurement.

As a result, there is often a strong emphasis on how money is spent. As one commentator put it, “They care about how much they budget on what – they do want to see the impact, but in some sort of measurable way that they can put on their website” (Interview BRA17). Particularly in terms of this last point, I observed little difference between Brazilian and Indian companies, and between corporate foundations and companies running CSR projects. For example, one manager of a corporate foundation in India noted:

> We disperse funds to NGOs on a quarterly basis. We look at their budget and their utilization every three months. Before we fund a program, we need to look at the plan… Also, we make sure some of our employees visit those projects, we want to make sure that the money is properly utilized… There are certain challenges… There are not many people with expertise in these NGOs, they work well on the ground, but not with paperwork. (Interview INA9)

While this particular foundation does engage in impact assessments, the financial accounting of projects predominates.

Success also seems to be largely determined on an ad hoc basis. It should be noted that this is not an unexpected result, given the notorious difficulty in measuring the impact of development projects more broadly. However, companies often want to see an impact very quickly, and within set time-frames. In practice, this means CSR projects that would require a more long-term commitment are less likely to be undertaken. It also means that NGOs seeking to work with companies must either develop short-term projects or find ways to package longer projects as a set of shorter ones—for instance, taking a five-year project and turning it into five one-year subprojects, which can then be taken to companies for consideration.
The similarities that have thus far been described are not unexpected, particularly since CSR in the Global South is more likely to emphasize development over other considerations when compared to CSR in the Global North. By extension, some of the challenges in delivering development projects are unsurprisingly similar in Brazil and India. What is more difficult to explain are some of the differences in the institutionalization and focus of CSR, and by extension, the overall divergence in the trend of how responsibilities for social welfare provision are coming to be shared between companies and the state.

2.4 The Story of Two CSRs – Differences in CSR in Brazil and India

Two of the primary differences in CSR in Brazil and India are more ideational: one, there is a strong perception that CSR in India is rooted in Indian business practices, whereas this is lacking in Brazil; and two, there is a divergence in how companies speak about where their responsibilities lie. This has implications for CSR, shaping the focus of company activities.

With respect to the first point, CSR in India is perceived to be dominated by family business elites, while CSR in Brazil is seen as having been promoted by entrepreneurial business elites. In India, CSR has been largely a story of Indian family businesses. This is important because the Indian economy is itself, in the words of Kohli: “mainly driven by Indian producers producing for the Indian market” (2012, p. 36). CSR practices are most rooted in some of the country’s older businesses, with many having family foundations that have engaged in social development projects for decades, such as the two Tata Trusts.

While family foundations, or the CSR practices of family-run companies, do exist in Brazil, they do not dominate the CSR landscape in a similar fashion. Instead, CSR in Brazil has been a business elite-driven project. Arguably, trusteeship and CSR were also an elite-driven project in India, but they were driven by family elites. In the case of Brazil, the main actors have been entrepreneurial business elites. According to the representative of a PSI institute in Brazil:

I think that the movement of social responsibility is born from the elite, but it is a business elite, not an inherited one. There are a lot of differences between the business elite and the family elite. A lot of differences. GIFE is still working with all kinds of
elites, not with just one. ETHOS, on the other hand, works with the business elite – it’s different. The business elite is involved more with the country’s development, state issues – the other one is alienated. (Interview BRA18)33

What this has meant in practice is that the political connections these entrepreneurial elites have managed to establish and maintain with state actors have played a role in determining the CSR movement’s impact on the country. CSR is politicized to a greater degree in the Brazilian case. As will be discussed in the following chapters, there was a point at which there was significant overlap between the CSR movement and the PT in Brazil, with some of the CSR movement’s leaders even taking on political roles. This did not last, but more recently organizations promoting CSR have developed programs that seek to directly influence public policies.

There are also important differences in how responsibility is perceived by corporate actors in Brazil and India. Many Indian companies openly accept that they have some responsibility for the country’s socioeconomic development, whereas in Brazil, corporate actors place that responsibility squarely on the state. These differing perceptions of responsibility also help to shape the focus of company CSR practices. Brazilian companies primarily focus on education, arguing that issues such as poverty reduction are the responsibility of the state. In India, while education remains an area of concern, companies also see themselves as needing to contribute to poverty alleviation and healthcare, together with a series of other goals.

This conclusion is supported by the (albeit limited) data on corporate spending that is available. For instance, in Brazil, the BISC - Corporate Social Investment Benchmarking Survey - shows that 87% of companies questioned support organizations that implement education activities, more than any other type of activity (Wilner, 2014a, p. 230). Andre Degenszajn, the former General Secretary of GIFE, also notes that 80% of GIFE associations invest in education, and for many, this is the main area of operation (Wilner, 2014b, p. 234).

33 This quote has been translated from the original Portuguese.
In India, there is a lack of data on the main areas of company activity, though a report considering the disclosure practices of the top 100 companies listed on the Bombay Stock Exchange (BSE) concludes that the main areas of CSR spending are education, health, rural development and livelihood generation (Business Responsibility Disclosures: Sustainability in practice in India An analysis of the top 100 listed companies, 2014, p. 17). A recent report, considering some top 300 companies listed on the BSE, found that, following the goals set in Schedule VII of the Companies Act, 78 companies listed eradicating hunger, poverty and malnutrition as their main focus area, 145 named the promotion of education, 27 named the promotion of gender equality and/or helping the elderly and socially and economically backward groups, 43 named ensuring environmental sustainability, 8 listed the protection of national heritage, and 5 listed training to promote sports (Mukherjee, Paduwal, & Mehta, 2015, p. 23). Thus, though education is a large component of CSR activities, Indian companies also focus strongly on other areas. My own discussions with companies revealed that education, poverty alleviation, and healthcare are the main areas of concern, though no significant distinctions were made between the three.

In addition to these differences, the overall landscape of CSR in the two countries differs. CSR in Brazil cannot be explained without also considering the s-system, while nothing similar exists in the Indian case. Though not strictly CSR, the s-system, which dates to the mid-1940s, continues to operate. It includes educational institutions and community centres that were established for individual industries, and through the cooperation of government, industrial associations, and labour unions. Designed to correspond to different segments of industrial production, the s-system institutions work to “improve and promote employee well-being in areas such as health, leisure and vocational training” (Boschi, 2013, p. 200). These institutions still exist and are funded through a complicated system of contributions from employees, companies and the government. The use of many of these institutions is no longer limited to employees but is open

34 In this analysis, I am not considering situations where companies are encouraged to focus on programs, such as the Clean India Campaign, that may be pushed by the government at a particular moment. Public companies always feel such pressures more strongly than private companies. Even private companies, however, may find themselves under pressure to meet the desires of government actors, particularly in situations where they may be relying on those actors for various logistical and/or bureaucratic support.
to the general public. Thus, separate from CSR, companies that are part of the s-system give funding towards what are in essence social programs. While the s-system institutions are generally seen as existing outside of the CSR space, they represent an example of companies engaging in social welfare provision.

There is also a difference between broader peak business associations promoting CSR in Brazil and India. In India, peak business organizations such as Assocham (Associated Chambers of Commerce of India), CII (Confederation of Indian Industry) and FICCI (Federation of Indian Chambers of Commerce and Industry), have sought to carve a space for themselves in the promotion of CSR. CII has arguably been the most active (and successful) in this process, and has frequently partnered with other actors, including development actors such as GIZ and the Indian Institute of Corporate Affairs, to produce reports and materials that can help companies to implement CSR projects. In contrast, Brazilian industrial associations did not initially embrace CSR, and competing institutions (e.g., Ethos, GIFE) emerged. While older industrial associations have since sought to promote CSR, their initial reluctance has meant that they have lost some of their original influence to organizations and institutes such as Ethos.

3 Conclusion:
This chapter has shown that the general trend in how companies are coming to be involved in social welfare provision differs in Brazil and India. These differences can be seen in the policies the state adopts for promoting CSR, as well as in the willingness of companies to take on a role in socioeconomic development.

In India, though state efforts to expand social protection programs have increased, the state has nonetheless signalled a greater willingness to share responsibility for delivering collectively desirable goods with corporate actors, particularly through the passage of the Companies Act 2013. In Brazil, on the other hand, the state’s efforts to promote CSR have centred on promoting programs which allow the state to retain some control over the nature of company engagement.

35 While this chapter describes two divergent trends in Brazil and India, it is still too early to make conclusions about final outcomes.
The second, and arguably less well understood part of this story (within existing literature), is the nature of company involvement in social welfare provision under the auspices of CSR (and other related terms). This chapter has shown how the concept of CSR, promoted globally by organizations such as the UN Global Compact, has been taken up within Brazil and India. In both contexts, more companies are becoming involved in socioeconomic development. Nonetheless, the general trend in how companies are doing so has differed. I have argued that CSR has come to be understood differently in Brazil and India. Moreover, how it has been institutionalized has also been both similar and different. The similarities are less surprising – both Brazil and India are part of the same global economy, and subject to analogous international pressures. The differences in how CSR is understood and institutionalized require further exploration.
Chapter 3: Conceptual Framework – Unpacking the Interplay of Business and the State in the Evolution of CSR and Social Welfare Provision

Empirical findings suggest that three explanatory factors help to account for the differences between Brazil and India: state capacity; ideas about responsibility for social welfare provision; and the historical institutionalization of the business/state relationship, particularly the institutionalization of CSR. I argue that understanding state capacity enables us to gauge what states are able to do. It is a permissive condition, with both Brazil and India exhibiting lower state capacity than welfare states in the Global North. Nonetheless, variations in state capacity do help explain some differences in state policies. Ideas and institutions, and how these develop historically, form the bulk of the explanation for the divergent trends in how companies become involved in socioeconomic development. Prevailing ideas about who is responsible for social welfare provision influence state choices about whether to share some of that responsibility with non-state actors. They also influence the willingness of companies to take on some of this responsibility. The ideas explored here are not simply a product of the other factors but have roots that are independent of either state capacity or prevailing patterns of state engagement with private actors. Ideas, nevertheless, can become institutionalized, meaning that they can be a source of both continuity and change. Importance must be placed on timing: when do particular ideas emerge, and what role do they play in influencing policies? Finally, the historical relationship between business and the state then shapes how states engage corporate actors specifically in social welfare provision, and how corporate actors take on this role under the auspices of CSR.

At a broad level, this is a work of comparative political economy. It was inspired by classic approaches that examine how economic systems and political institutions shape different state trajectories. My initial inspiration came from Karl Polanyi’s (1944, reprinted in 2001) The Great Transformation, and his notion of the double-movement. Polanyi argues that two principles clash in society: one, the principle of economic liberalism, which aims to establish a self-regulating market; and two, the principle of social protection, which seeks to conserve human society and
nature. While one (economic liberalism) has the impact of dis-embedding the economy from society, to detrimental effect, the countermovement seeks to re-embed it. Reading Polanyi triggered an interest in understanding whether CSR, which is on the face of it seen as voluntary, can serve a re-embedding function.

The following analysis falls within the historical institutionalist tradition in political science, while the method employed is primarily comparative historical analysis. Historical institutionalism concerns itself with explaining how different institutional frameworks drive divergent policy outcomes, while comparative historical analysis has produced important insights into the development of different (usually national) trajectories (Thelen, 2003; Fioretos, Falleti, & Sheingate, 2016). More recent work has centered on issues of path dependence, with authors such as Mahoney (2000) and Pierson (2000) exploring notions of ‘critical junctures’ and ‘historical trajectories’ in social and political development. The focus of such approaches is on process-based explanations, which help to illuminate various mechanisms of reproduction that sustain different institutions. One of the problems with path dependent approaches is that they tend to encourage a strict separation of institutional innovation and institutional reproduction (Thelen, 2003). This implies that institutions tend to be ‘locked in’ during long periods of institutional stasis, which are broken by moments of openness, or ‘punctuated equilibrium.’ Thelen (2003) argues for the need to move beyond this by considering ‘critical junctures’, or moments of institutional innovation. The central question here then concerns how exogenous events or trends can bring about institutional change and explain different policy outcomes.

One of the criticisms leveled against historical institutionalist perspectives, even when it pays attention to critical junctures, is that it is not always clear how change comes about during such important moments, which in turn mark the beginnings of path-dependent processes. Rather, the focus is often on why such changes have a long-term impact (Soifer, 2012). Soifer (2012) provides an interesting framework for addressing this problem, arguing that we need to distinguish between two types of causal conditions that operate at a point of critical juncture: permissive conditions, which represent the easing of constraints that make it possible for change to take place; and productive conditions, which, when accompanying permissive conditions, produce the outcome (or range of outcomes) that is observed.
While appealing, this approach is also problematic because it treats causal factors as binary: they are either present or absent. A factor such as ideas about who holds primary responsibility for social welfare provision is more a matter of degree. Nonetheless, Soifer’s approach is useful because it forces us to deeply consider whether particular conditions are sufficient and/or necessary to produce the types of outcomes observed. The explanatory factors here build on each other to account for the divergence between Brazil and India. Insufficient state capacity at key historical moments creates an environment permissive to the promotion of non-state actor engagement in social welfare provision, while ideas regarding responsibility and the institutionalization of CSR act more as productive conditions, helping to shape how the state and corporate actors come to share responsibility for delivering collectively desirable goods.

This chapter first defends the selection of Brazil and India as the primary cases considered. It then draws on existing literature to identify mechanisms through which state capacity, ideas regarding responsibility, and the institutionalization of CSR can be deployed to develop a robust explanation for the divergence observed in Brazil and India.

1 Case Selection

The larger set of cases from which Brazil and India are drawn is the Global South. As the introduction and previous chapter demonstrated, the connection between CSR and development has been more established in the Global South. Because the Global South has not seen the rise of traditional welfare states, it has proven to be a more fertile ground for promoting corporate involvement in socioeconomic development. Are Brazil and India representative cases of this relationship, or are they outliers?

Given the dearth of research on CSR in the Global South, this proves to be a difficult question to tackle (and would require further research to answer definitively). In some respects, India is an outlier. It is the first country to legislate corporate spending on CSR projects (as established within Companies Act 2013). For this reason, I chose India as the first case for this study. Brazil is a useful comparison to India for one primary reason: both countries are commonly compared within the literature on the state’s role in development and are classified as similar cases.
However, when we consider the state’s position towards shared responsibility for social welfare provision, important differences emerge. Thus, the two are sufficiently similar to allow for comparison, while exhibiting interesting variations that require explanation.

Brazil and India may at first appear to be vastly different cases: Brazil emerged from colonialism early (in 1822), while the British ruled India until 1947; Brazil industrialized fairly rapidly during the twentieth century, driven by both internal demand and foreign investment, while many Indians continue to rely on agriculture; Brazil has a population of just over 200 million, while India is a vast subcontinent of over 1.3 billion people; Brazil moved between authoritarianism and democracy for much of the twentieth century, while India has been a democracy since independence.

Despite these differences, the two figure prominently in the literature on developmental states (Evans, 1995; Kohli, 2004) and are considered to be similar cases. In both countries, the state has historically played an important role in the economy. Both have been undergoing a process of pro-market reforms and liberalization starting in the 1980s, which has accelerated since the 1990s. While external pressures, particularly in the form of the pro-market tenets of neoliberalism, have played a central role in these reforms, the state has, in both cases, played an important role in guiding the shape of the reforms. In terms of social policies, both countries have adopted a more rights-based approach towards social welfare provision, as exemplified in policies such as the right to education. Finally, in terms of measurements of state capacity, both are intermediary cases (Bersch, Praca, & Taylor, 2017; Ganguly & Thompson, 2017), meaning that though state capacity is an important factor to consider in understanding the different sets of policies and outcomes in the two countries, a simple reference to state capacity is insufficient to explain differences.

Both countries are large, federal states, with significant rural/urban divides, and numerous social cleavages. In the case of Brazil, racial cleavages are particularly salient, while in the case of India religious, caste, and linguistic cleavages are easily visible. There are also significant regional differences in both cases, with some subnational units exhibiting high levels of development, economic activity, and lower levels of poverty, while others languish. They also
face some similar challenges, including high levels of corruption, while also being considered important emerging economies and members of the BRICS.

2 State Capacity

The primary question driving this research is how, under conditions of limited state capacity, business and the state interact in the evolution of systems of social welfare provision. Analyses such as Evans (1995) and Kohli (2004), which have in part focused on understanding the capacities of the Brazilian and Indian states to promote development, have found that both tend to be intermediary cases.

As Centeno, Kohli and Yashar (2017) argue, capable states are essential for broad-based development, but our understanding of the conceptual content of state capacity continues to be plagued with problems. Confusion persists regarding the meaning of the concept, with a recent summary arguing that the literature on state capacity “is difficult to navigate, as the state capacity concept is poorly defined and has been filled with different meanings” (Cingolani, Thomsson, & Crombrugghe, 2015). Moreover, the causal relationship between state capacity and state performance continues to be insufficiently understood (Centeno, Kohli, & Yashar, 2017).

Centeno, Kohli and Yashar (2017) have recently sought to demystify the concept. For instance, they highlight that even amongst more capable states, there may be variation in a state’s ability to deliver goods in one policy domain versus another. They note that “state capacity is not necessarily fungible across issue areas” (Centeno, Kohli, & Yashar, 2017, p. 1), however, the reasons behind this are not well understood. This problem is less of a concern here since my goal is to understand how variation in state capacity in one primary area—social welfare provision—shapes the policies states adopt towards including corporate actors in delivering collectively desirable goods. To a lesser extent, taking a broader view of CSR implies that the state’s capacity to regulate corporate actors can also shape state policies towards CSR.

First, however, it is necessary to analyze different perspectives on state capacity in order to identify how this concept can be utilized in developing explanations for the divergence between Brazil and India. Centeno, Kohli and Yashar (2017) classify perspectives on state capacity into
four primary approaches. The first approach focuses on implementation, with scholars considering how state agencies can fulfill their mandates, allowing states to plan and execute policies (Fukuyama, 2004). Capacity is here understood as a function of particular organizations within the state. A second perspective (e.g., Mann 1984) focuses on the scope and content of what states pursue. Mann (1984) distinguishes between two types of state power: infrastructural and despotic. While infrastructural power refers to the “capacity of the state to actually penetrate civil society, and to implement logistically political decisions throughout the realm” (1984, p. 189), a state’s despotic power is the power of the state elite to undertake action without institutionalized negotiation with civil society groups. A third set of perspectives focuses on power and the relations between the state and other actors (Migdal, 1988; Skocpol, 1985). State capacity is defined as the ability of the state to get other actors to do things they might not otherwise choose to do. As a result, many of these perspectives focus on state autonomy. Migdal (1988), for example, emphasizes state autonomy from other social forces in exercising social control. State capabilities then “include the capacities to penetrate society, regulate social relationships, extract resources, and appropriate or use resources in determined ways.” (1988, pp. 4-5). Finally, a fourth approach focuses on the quality of bureaucracy. For instance, Evans and Rauch (1999) use reputational surveys to measure the impact of the quality of bureaucracies (which they consider by looking at variables such as meritocratic recruitment and the existence of stable long-term career paths) on economic growth. According to Centeno, Kohli and Yashar, this is in many ways the most analytically neutral approach.

Within these broad contours of theorizing on state capacity there have been increasing efforts to develop measures for state capacity. For instance, an often-adopted measure is the tax ratio, which is the sum of all tax revenues as a percentage of gross domestic product (GDP) (Skocpol, 1985; Thies, 2007). The argument is that revenue extraction is a central activity of the state. States that can extract revenue must therefore also have capacity. As Saylor (2013) illustrates, however, simply considering this one measure can be deceiving (if a country has a very low GDP, it can potentially have a tax ratio comparable to that of a stronger state). Such a measure also treats all tax revenue equally and does not consider how taxes are collected. Saylor (2013) instead surveys common elements of different definitions of state capacity prevalent in the literature to derive specific measures including extractive capacity (looking at both the structure
of tax revenue and the proportion of taxes extracted), penetrative capacity, coercive power, and administrative scope (this considers state expenditures and the number of state employees).

The analytical challenge in employing many of these perspectives is the blurring of causes and outcomes (Centeno, Kohli, & Yashar, 2017). This is problematic for two reasons. First, it is very easy to fall into a tautological trap. For instance, the capacity to collect taxes is used as both an indicator and an outcome of state capacity. Secondly, Centeno, Kohli and Yashar correctly point out that how the concept of state capacity is deployed is often not value-neutral. Assessments of state capacity generally do not consider political inclinations, yet numerous measures of capacity imbue the concept with normative meaning. For instance, scholars often use the World Bank Governance Indicators to measure state capacity (e.g., Ganguly and Thompson (2017)), and include measures such as voice, accountability, and rule of law. This discounts the possibility that a capable state can also use its capacity to pursue normatively questionable ends (Nazi Germany is the perfect example).

As a result, Centeno, Kohli and Yashar argue that we must pay attention to politics to understand how, and to what ends, state capacity is deployed. They therefore differentiate between state capacity and state performance, where the latter takes into account the question of how capacity is deployed. Their understanding of state capacity focuses specifically on organizational state capacity. It includes four primary indicators: resources (while resources do not equal outcomes, certain minimal resources are needed); presence of the state (especially the reach of the state and its ability to access and penetrate society); the presence of a trained and professional civil service; and coherence (inter- and intra-institutional communication and accountability). Political coalitions (including leadership, classes and parties) and the balance of social forces (either in favour or against particular policies) then shape how state capacity is deployed. Here, important considerations include the question of whether the state is characterized by competent leadership and high-calibre decision-making.

In the case analyses that follow, my goal is not to consider why Brazil and India may have different state capacity, but to understand how state capacity has been deployed at particular
historical moments. I focus on two periods of change: the initial development of systems of social welfare provision, and the recent period of expansion of social welfare spending in Brazil and India. I treat state capacity as a largely permissive condition – we cannot explain the importance of ideas and the institutionalization of CSR practices in shaping social welfare provision without understanding the broader context of limited state capacity.

3 Ideas about Responsibility for Social Welfare Provision

One of the striking differences between Brazil and India concerns ideas about who is responsible for social welfare provision. In the case of Brazil, there is largely an agreement that the state holds this responsibility. In the case of India, this question remains contested. Through recent legislation, the Indian state has even sought to transfer some of this responsibility onto corporate actors.

Today non-state actors engage in social welfare provision throughout the Global South, especially in areas where the reach of the state is low. It is not uncommon to hear companies in India tell stories of how community members near their plants will come to ask for public goods such as a school or a hospital. The company is present, while the state may be absent, and community members can come to see the company as responsible for providing collectively desirable goods.

As a result, the idea that people see the state as bearing all the responsibility for social welfare provision may not always hold. Certainly, there are always expectations placed on the state. However, the degree to which this is the case can vary. This variation is important for any study of corporate social responsibility, because the ‘responsibility’ that companies face is invariably linked to the degree to which the state is viewed as holding responsibility for providing

36 It should be noted that a possibility of reverse causation exists when we consider state capacity and non-state social welfare provision. When non-state providers engage in delivering collectively desirable goods instead of the state, this can also potentially limit the state’s capacity to deliver those goods in the future. In other words, it is possible that the relationship between lower state capacity and non-state welfare provision is characterized by a feedback loop. An exploration of this potential feedback loop is not taken here since my goal is not to understand the roots of lower state capacity, but rather how lower capacity provides the context for company engagement in social welfare provision.
collectively desirable goods. This necessitates a closer look at prevailing ideas about responsibility for social welfare provision. Historically, prior to states taking it on, such responsibility, if it existed, was generally taken on by families and communities. As Gough and Wood (2004) have shown, in some states families and communities continue to carry the largest burden for providing security. Throughout much of the Global North, however, welfare states have largely taken on this responsibility (though the degree of state commitments varies).

What theoretical tools do we have to understand and analyze the rise and causal relevance of such ideas of responsibility? Blyth (2002) argues that within historical institutionalism, while there has been some acknowledgement of the role of ideas, there has been less explicit theorizing about the relationship between ideas, interests and institutions, with ideas rarely being seen as causal factors. He seeks to remedy this lack of attention to ideas, noting that ideas can serve a causal role in their own right. Focusing on economic ideas in particular, Blyth argues that in moments of uncertainty, ideas can allow agents to interpret the nature of the crisis around them, serving as a first step towards the creation of new sets of institutions. He argues that ideas can additionally be used as weapons, allowing actors to attack and delegitimize existing institutions, spurring change, often as part of distributional struggles. Blyth also posits that ideas can act as blueprints, helping to construct new institutions. Finally, once ideas are embedded within new institutions, they can help lock-in particular distributional politics. Ideas can thus operate in a number of ways to impact institutional change. Historical institutionalists have heeded the call to pay closer attention to ideas (Steinmo, 2008). Steinmo (2008) summarizes this change, arguing that historical institutionalists have increasingly recognized that it makes little sense to talk about the interests of policymakers without analyzing how individuals understand their interests. This understanding, in turn, is directly related to the ideas that policy makers may hold.

Blyth also makes an important contribution by highlighting that temporal sequences can matter in trying to understand the role ideas play. However, White (2009) points out that Blyth does not sufficiently differentiate between the type of role ideas play in each instance, seeming to suggest that only one type of idea can be relevant at a given point in time. Instead, drawing on sociological institutionalist literature, and the literature on frames, White (2009) argues that we can differentiate between three kinds of ideas when trying to understand policy change: norms,
frames, and programmatic ideas. Norms represent shared sets of beliefs regarding how actors ought to act, while framing suggests that if ideas are presented in a particular way, they can alter how individuals perceive problems, helping to influence behaviour. Finally, programmatic ideas provide intellectual blueprints for creating solutions to concrete policy problems.

This set of distinctions is useful since it allows us to gauge more precisely what role particular ideas may be playing at any point in time. White (2009) argues that all three can be interconnected, and how the three interact can explain policy change. For example, programmatic ideas can be framed to appeal to norms, which can persuade decision makers to take a particular course of action (White, 2009).

My goal in the following analysis is not to correct the literature on the role of ideas in driving institutional change, but to employ the insights expressed by Blyth (2002) and White (2009) to understand how ideas can account for the outcomes observed in Brazil and India. I focus on first identifying the primary ideas that explain current understandings of state and corporate responsibility for social welfare provision. Second, I explore how these ideas change through time, and how they affect state and corporate policies. Throughout, I retain a focus on the idea types identified by White (2009) since understanding the role that a particular idea plays can be relevant for exploring how policy outcomes come about. For example, I will show that in the post-independence period in India, trusteeship essentially acted as a programmatic idea. It provided a blueprint for how the state could ensure that much of its focus could be placed on economic development, while also attempting to deliver on its promise to address poverty by sharing responsibility with the corporate sector. Through time, trusteeship became a norm, fused with notions of CSR, and became a useful tool for justifying the state’s choice to legislate CSR spending as part of Companies Act 2013.

The first step in the analysis, however, is identifying the ideas that have shaped current perceptions of shared responsibility for social welfare provision. There is insufficient research on questions of responsibility for social welfare provision in the Global South, but some lessons can be taken from the literature on welfare states in the Global North.
While much of the welfare state literature focuses on the period of welfare state expansion following WWII, the root of widely held perceptions about state responsibility lies earlier, during the initial emergence of welfare states in the Global North. Kuhnle and Sander (2010) argue that changes in social structure, the growth of wage labour, and social insecurity all triggered ‘new thinking’ about the role of the state. During the development of modern nation-states, the need to address poverty arose, and while early efforts in many respects focused on repression (for instance, vagrancy laws), the changes arising from the Industrial Revolution, together with the emphasis on rights emerging from the French and American Revolutions, meant that social rights began to gain salience. It was during this early period that the differences between the social citizenship model (as found in Scandinavia) and the social insurance model (as found in continental Europe, with Germany being the prime example) became established.

Throughout Europe, as systems of social welfare provision arose, the notion that the state has a responsibility to provide for its citizens strengthened. However, the question of the extent of those policies remained, and, particularly between the two world wars, debates over whether all citizens should be treated equally continued (Kuhnle & Sander, 2010). The movement towards universalization and ensuring that people’s needs be met as a matter of right rather than as a matter of ensuring social stability or economic growth was described by T. H. Marshall (2006) as part of the development of social citizenship, which occurs as we progress from civil to political to social rights.

This discussion suggests that if we want to understand how notions of state responsibility for social welfare provision emerged in Brazil and India, we need to consider the early development of social welfare provision, the political goals behind it, how citizenship was understood in these contexts, and the position of corporate actors towards involvement in social welfare provision (if such involvement existed at all). Early notions of responsibility established during the development of systems of social welfare provision then contributed to the creation and maintenance of the institutions delivering welfare.37

37 There is an important difference between the development of notions of responsibility in Western Europe versus countries in the Global South. In the context of former colonies, ideas were in some cases imported from the West. In the case of Brazil, this importation was almost
Taking such a historical perspective is needed because understandings of citizenship and ideas about the role of the state (and corporate actors) in socioeconomic development have not been uncontested. Analyzing the contestation regarding these ideas (for example because of the increasing relevance of rights-based perspectives on development), and any changes that may have come about, is necessary for understanding how norms of responsibility for social welfare provision have evolved, and what role they play today.

Thus far, this discussion has not considered how notions of responsibility, or lack thereof, emerged within the private sector. This is not a topic addressed within existing literature. I argue that norms of state and corporate responsibility are inherently linked and are shaped by prevailing ideas about what should be the relationship between business, society, and the state. Often, these are classified with reference to different forms of interest representation (which in turn are accompanied by distinct regimes guiding industrial relations), with the two primary examples being pluralism and corporatism.

In Brazil, the dominant form of organization was corporatist in nature. While there are different classifications of corporatism, different types are usually defined with reference to the degree of state intervention and control over societal groups. More statist corporatism is characterized by a higher degree of control, versus societal corporatism, where the process of tripartite negotiation is stronger. Classic Brazilian corporatism largely falls towards the state end of the spectrum, but in democratic periods, politicians have often used corporatist institutions to mobilize electoral support, and to co-opt groups to accept their policies (Power & Doctor, 2004).

In the case of Brazil, corporatism historically not only determined how business and the state should interact in the economic sphere, but also shaped the expectations placed on business actors to contribute to providing collectively desirable goods. Corporate actors were expected to

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literal—immigrants arriving from Europe came with expectations that the state would provide for their welfare, and this in turn created increasing pressures on the Brazilian state. This requires paying attention to how external ideas were diffused through domestic institutions and trying to understanding what role they may have had in shaping those institutions.
financially contribute to social insurance schemes within corporatist arrangements, some of which still exist today.

In the case of India, it is somewhat more difficult to identify dominant modes of interest representation and business/state engagement, in part because much less has been written on the topic. Though its political system was strongly based on the British model, India is not a typical example of pluralism. Rudolph and Rudolph create a hybrid category of ‘involuted pluralism’, writing: “state strategies have created an involuted pluralism in which the state, by dominating the arena of industrial conflict, controls many weak and divided organizations rather than a few cohesive ones” (1987, p. 268-9). However, the concept of involuted pluralism holds little explanatory power when tackling the question of why corporate actors would come to believe that they share some responsibility for the country’s socioeconomic development. Instead, Gandhi’s notion of trusteeship has been much more central in this regard.

This suggests that the interplay of evolving notions of citizenship and corporatism in the context of Brazil, and of citizenship and trusteeship in the context of India, can explain how norms of responsibility for social welfare provision have emerged in these two contexts. These are not static—perceptions of what citizenship rights should entail, as well as ideas about how business and the state should interact—have changed through time. The question that needs to be explored, then, is how, and to what degree, ideas regarding which actors hold responsibility for social welfare provision, and for what, have changed in tandem.

4 The Role of Business in the Evolution of Social Welfare Provision and the Institutionalization of CSR

The final explanatory factor considered is the role of business in the evolution of social welfare provision and the institutionalization of CSR. In other words, where has the impetus for companies to engage in social welfare provision come from, and how have companies responded?

Over the following chapters, I develop a theoretical distinction between statist and liberal CSR regimes. A more statist CSR regime is one which seeks to maintain greater control within the
organs of the state. I distinguish this from a more liberal CSR regime, which allows companies greater leeway over the nature of their involvement in socioeconomic development. This explanatory factor is considered last since the institutionalization of company engagement in development is largely a more recent phenomenon, spurred in part by the role of ideas regarding shared responsibility between business and the state. The emergence of these regimes thus requires explanation.

Existing literature has paid little analytical attention to the role of business in the evolution of systems of social welfare provision. Within the welfare state literature, for example, power resources scholars have tended to claim that employers are opposed to decommodification efforts, which are designed to free workers from a dependence on markets (Mares, 2003). Nonetheless, there have been some efforts to remedy this lack – Mares (2003), for instance, considers the role of employer preferences in shaping social programs and insuring workers against social risks. She concludes that employers have tended to support such programs more often than is recognized. While this shows that we need to take the business/state relationship into account when trying to understand social welfare provision, it does not consider how private actors themselves become implicated in providing collectively desirable goods.

Other emerging strands within the welfare state literature make strides in addressing the role of non-state actors. Writing on the delegated state in the United States, Morgan and Campbell (2011) consider the growth of private social welfare providers, particularly in healthcare (this includes medical providers as well as pharmaceutical companies). They show that private actors tend to encourage the state to delegate governance to private actors. This serves to not only provide companies with economic benefits, but also stymies the regulatory power and growth of the federal administration. However, such perspectives have limited applicability for this analysis. When companies engage in social welfare provision under the auspices of CSR, their activities are not funded by the state. As a result, some of the motivations behind company actions may not be the same, though the intention to reduce the need for regulatory growth is likely to be present in this case as well.38

38 The case of CSR programs that are funded through tax breaks makes for a more difficult case – the state has a role in financially supporting such programs, even if it does not fund them
Studies of CSR, which are dominated by management perspectives, have only begun to consider CSR’s institutionalization, with Bondy, Moon and Matten (2012) concluding that overall the status of CSR as an institution has received little attention. Some efforts to treat CSR as an institution have emerged (Jamali & Neville, 2011; Jamali, 2014; Jamali, Lund-Thomsen, & Khara, 2017; Matten & Moon, 2008; Brammer, Jackson, & Matten, 2012), particularly since Matten and Moon’s (2008) efforts to bring ideas from institutionalism to the study of CSR, with their distinction of ‘implicit’ and ‘explicit’ CSR. Undertaking a comparative investigation of CSR in the United States and Europe, they argue that “differences in CSR among different countries are due to a variety of longstanding, historically entrenched institutions” (Matten & Moon, 2008, p. 406). The American variant of CSR is ‘explicit’, meaning that it is embedded in a system that leaves more opportunity for corporations to take on explicit CSR responsibilities. The European variant does not provide nearly so many opportunities or incentives, because CSR is implied in systems governing organizational responsibility, meaning that companies face greater mandatory requirements.

Building on this work, other scholars have sought to apply an institutional lens to studying CSR, with Bondy, Moon and Matten (2012) noting that there is increasing evidence of the institutionalization of CSR as a ‘society-wide concept’, through its codification into law, the development of trained CSR professionals, and changes in public opinion (for examples, see Jamali and Neville (2011), and Jamali (2014)). However, management scholars tend to adopt an understanding of institutionalism that is poorly defined and developed, and is often fairly ahistorical and apolitical. Brammer, Jackson and Matten (2012) indirectly acknowledge this critique by noting that the political and historical analysis of CSR is largely overlooked, and the ‘S’ in ‘CSR’ is often treated as a black box. They therefore call for broadening the debate on CSR to include the analysis of the interface of business and society, arguing: “CSR must be

directly. One of the possible justifications for using tax breaks to promote CSR projects is that the state hopes that companies will spend above and beyond what they can save on taxes. This was one of the justifications for the passage of the Rouanet Law in Brazil, which provides tax breaks for companies funding cultural projects.
studied as part of a wider field of institutions for governing the corporation and the economy” (Brammer, Jackson, & Matten, 2012, p. 20).

There have also been studies that consider the institutionalization of CSR at the international level (in particular looking at UN Global Compact) (Rasche & Gilbert, 2012)), or that focus on analyzing how transnational business regulation impacts the CSR practices of companies (Auld, Bernstein, and Cashore, 2008). However, such analyses focus more directly on regulatory and reporting practices, rather than trying to understand how corporate engagement in social welfare provision, under the auspices of CSR, is institutionalized. This is particularly the case for the Global South, where CSR is generally undertheorized.

As a result, there are still very few analyses that concern themselves with the institutionalization of CSR in Brazil and India, though some do try to understand CSR within the larger political and economic contexts of these two countries (Sood & Arora 2006; Chakrabarty 2011; Cappellin & Giuliani 2004). This approach is further developed here – to understand how companies become involved in social welfare provision we need to understand the emergence of CSR in Brazil and India and the norms and incentives companies face. In particular, norms of responsibility, discussed in Chapter 5, set the stage for the discussion of how, and to what degree, companies take such norms seriously.

The incentives companies face shape their interests and are determined by a number of factors including the nature of the economy, the legal and regulatory environment, and societal expectations, which can be channelled through civil society actors. In both Brazil and India, civil society is expected to take on an advocacy role, and thereby hold companies accountable for their actions. This suggests that the ability of civil society to fulfill such roles also needs to be taken into consideration. Moreover, international pressures, and how these are then filtered through existing domestic institutions, also require analytical attention.

In terms of the legal and regulatory environment, moreover, the mechanisms through which the state seeks to promote corporate involvement in social welfare provision need to be elaborated. Thus, an analysis of the institutionalization of CSR also requires a deeper understanding of the
state’s role in shaping expectations placed on companies, above and beyond the ideas of responsibility discussed above. In order to capture this emphasis on the state, I borrow from J.P. Nettl’s (1968) discussion of ‘stateness’, in which he argues for “the institutional centrality of [the] state” (Evans, 1997, p. 62), meaning that the state is both an important actor, as well as a necessary point of analysis for understanding political institutions and behavior. I adopt the notion of ‘stateness’ in order to emphasize the centrality of the state as a provider of social welfare, as well as a regulator of CSR, and by extension the role of business in contributing to socioeconomic development.

I draw on ‘stateness’ to develop the theoretical a distinction between statist and liberal CSR regimes. A statist regime is exemplified by Brazil, I will show, since social welfare provision is simply seen as primarily falling under the purview of the state. In practice, this means that the state also uses regulatory tools to shape how companies engage in socioeconomic development. In other words, Brazil has adopted mechanisms which retain primary responsibility for organizing social welfare provision with the state. India, in turn, while more openly promoting CSR, has nonetheless adopted a more liberal approach, allowing companies more freedom regarding how to contribute to socioeconomic development. Figure 2 provides a summary of how the institutionalization of CSR, as well as the other explanatory factors considered here (state capacity and ideas regarding shared responsibility for social welfare provision), are operationalized.

The three explanations work in tandem. Limited state capacity provides the context for the emergence of ideas about how responsibility for social welfare provision should be shared. These ideas then influence both how the state promotes corporate involvement in social welfare provision, and how companies take on such roles (usually under the umbrella of CSR).

5 Alternative Explanations
The arguments developed here therefore emphasize the importance of ideas and institutions, while also recognizing that material considerations (which have influenced state capacity) have also played an important role in shaping the outcomes described in the previous chapter. Nonetheless, it is necessary to also briefly consider alternative potential explanations.
For instance, one can pose the question of whether the differences observed are simply a reflection of the degree to which these governments are involved in the economy. In other words, does the Brazilian state simply have a larger public sector, and does this explain its greater involvement in not just welfare provision, but in influencing the nature of companies’ CSR programs.
A preliminary examination reveals that this not the case, though in both countries the size of the public sector has decreased since the 1990s. While in 1993-1994, the public sector was responsible for 51.8% of capital formation in India, and the private for 48.2%, by 2002-2003, these figures stood at 44.6% and 55.4% respectively (Sundar, 2013, p. 212). The numbers for Brazil are in fact lower. Like India, even after Lula’s election in 2002, the state’s role in the economy was reduced. While in 1976-77, the public sector was responsible for 43% of total gross capital formation (with some 25% coming from large state-owned enterprises (SOEs)) (OECD, 2015, p. 70), by the 2000s, this was reduced. Though not all SOEs were privatized fully, the relative importance of those with majority state control declined. While the capital formation by large government controlled SOEs stood at 25% in 1976-77, this dropped to 8.9% by 2002 (OECD, 2015, p. 71). However, in certain industries, including oil and electricity, the state’s role has remained important. Petrobras, the country’s largest oil company, remains semi-public. The federal government, together with BNDES, the country’s development bank, owns approximately 60 percent of all common shares (Capital Ownership, 2016).

BNDES also plays an important role in the Brazilian economy. According to the OECD, “[b]y 2013, BNDES contributed to around 21% of the total credit to the private sector and almost the totality of long-term credit.” (2015, p. 72). According to Musacchio and Lazzarini (2014), Brazil may be moving away from full state control and ownership of SOEs, but it is moving to partially privatized firms with majority state control and partially privatized firms with minority state control (here, firms receive loans from state-owned development banks, or are recipients of investments from state-controlled wealth funds, such as pensions). Thus, the state continues to be both a major and a minor investor (particularly through the lending policies of BNDES), meaning that its role in the economy remains extremely important. As a result, the state’s role in the economy remains important in both Brazil and India and cannot account for the differences observed.

A second alternative explanation is electoral politics, the importance of a left-right divide, and the means by which the state is able to achieve legitimacy (and similarly, the degree to which
different political parties are able to win elections on the basis of something other than distributive issues).

In the late 1990s, a resurgence of leftist politics began in Latin America. In Brazil, this was apparent in the election and re-election (in 2002 and 2006, respectively) of Lula and his Workers’ Party (*Partido dos Trabalhadores (PT)*). The PT was once again elected in 2010 and 2014 under the leadership of Dilma Rousseff, who was subsequently impeached in 2016. Recent political events, including Rousseff’s impeachment and the recent election of Jair Bolsonaro, have only served to strengthen the left-right divide in the country. An explanation that focuses on the left-right divide, therefore, would explain the expansion of social welfare provision with reference to the bottom-up pressure elected politicians have faced in favour of more leftist policies.

This can be contrasted with India, where the left-right divide appears to play a smaller role in shaping electoral outcomes. In *Poverty Amid Plenty in the New India* (2012), Atul Kohli argues that part of the reason why the Indian state has been able to implement its pro-business policies has been its ability to channel the electorate’s pressure towards non-distributive issues. Indian political parties have sought to achieve legitimacy through an emphasis on issues of identity, an effort to insulate economic decision-makers from popular pressure, as well as decentralization of social policy towards state and local governments (this has enabled the central Indian state to then shift blame if these programs are unsuccessful). No major parties (other than several regional ones) call for socialism, and most agree on certain basic principles, including a commitment to growth and indigenous capitalism. Therefore, in Kohli’s (2012, p. 3) words, “the deeper drama in India is… one of a basic realignment of state and class forces.” Furthermore, the passage of the Companies Act 2013 just prior to the 2014 election would also seem to suggest a desire to appeal to the electorate—many of my informants noted that the then-incumbent Congress Party sought to show that it was holding companies accountable.

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39 It should be noted that despite the PT’s leftist leanings, the party was in many ways also pro-business. Rousseff, for instance, openly supported the private sector, including a number of controversial hydroelectric projects in the Amazon River Basin.
This explanation quickly runs into problems. Let us first consider the case of Brazil. *Bolsa Familia*, the PT’s flagship poverty reduction scheme, is often criticized by its opponents as being a vote-buying mechanism. This is a commonly-held perception, even in Brazil.\(^{40}\) However, this criticism is sweeping and does not adequately reflect the multiple reasons that seem to be changing electoral patterns in the country. The root of the criticism seems to be the shift in electoral patterns that first emerged with Lula’s re-election in 2006.

In his first four bids for the presidency between 1989 and 2002, the core of Lula’s support came from voters with higher education levels, living in the more urban industrial states of the South and the Southeast (Hunter & Power, 2007). The PT began as a party of organized interests, intellectuals, and progressive middle-class urbanites, who shared an interest in addressing the high levels of inequality in the country. Prior to 2006, Lula did not have support in the states of the North and the Northeast (i.e., the more impoverished areas of the country, where many of the recipients of BFP are located). In these regions, historically conservative party machines and clientelistic networks usually determined elections in favour of more right-wing candidates (Hunter & Power, 2007). This trend was reversed in 2006, when the North and Northeast voted in favour of Lula, and has since continued. In 2014, Dilma Rousseff was re-elected in large part thanks to support in the North and Northeast. Defeating her rival Aécio Neves by a small margin (51.6% to 48.4%) in the run-off election in October 2014, she owed her victory to her support in these regions (she lost throughout the south, with 64% of the vote in Sao Paulo, Brazil’s most populous state, going to Neves) (Tharoor, 2014).

Support for BFP has been central to this shift. Building on the work of Hunter and Power (2007), Zucco (2008) shows that municipal level data support the conclusion that Lula’s re-election can be primarily explained with reference to the impacts of BFP. However, similar to Hunter and Power, Zucco also recognizes that this is not the entire story. He notes that municipal level data also shows that there is an empirical regularity with which presidential candidates from the

\(^{40}\) I conducted fieldwork in Brazil during the 2014 presidential elections and observed that BFP was an often-talked about subject in the run-up to the election. Surprisingly, the degree of dislike of BFP from some corners of Brazilian society was staggering. However, this was very much the story of Sao Paulo, where the support for the opposition was high, and did not necessarily reflect feelings towards the program in areas of the country where most of BFP’s recipients are located.
incumbent party always perform better in the less developed regions of the country. In 2006, Lula had the advantage of the incumbent, as did Dilma Rousseff in 2014. A second possible explanation for the shift, which is also noted by Bichir (2010), is that other economic factors, not just social programs such as BFP, tended to help the poor. The economic recovery under Lula was accompanied by growing incomes for the poor (but stagnating incomes for privileged classes), in part because of increases to the minimum wage (Hunter & Power, 2007).

As Sola and Barros (2014) show, these trends continued in 2014 when Rousseff won approximately 72% of the vote in the Northeast, and a significant portion of voters with lower levels of income and education. However, it is too simplistic to conclude that the poor solely voted for the PT, or that the PT only had support in the North and Northeast. Rousseff still had a significant source of support in the South (in terms of the absolute number of voters, she won more votes in the more populous South and Southeast than in the North and Northeast). What is particularly characteristic of the recent elections, however, is a noticeable shift in PT support from larger urban centres to smaller municipalities. Sola and Barros show that this trend began in 2010, but became more pronounced in 2014, with the most notable shifts happening in industrial urban areas that had been the birthplace of the trade union movements giving rise to the PT.

All of this serves to undermine the argument that social policies, and the BFP in particular, are primarily just clientelistic vote-buying schemes. While they do emphasize the importance of BFP in explaining electoral outcomes, they also highlight other factors that have been central in determining recent elections.

Moreover, while an emphasis on electoral outcomes in the case of Brazil helps to explain the importance placed on the state taking on a primary role in social welfare provision, it does not entirely explain how it engages with business actors.

In the case of India, electoral considerations are similarly not sufficient to explain state policies towards social welfare provision, or CSR. Firstly, the Indian government has expanded its systems of social welfare provision. Just as Bolsa Família is considered a flagship program of the PT, the Mahatma Gandhi National Rural Employment Guarantee (NREGA) Scheme was
considered the main program of the Congress Party. Thus, the Indian government has undertaken an expansion of social welfare provision, even as it sought to pass on some of its responsibilities to the private sector.

At the end of the day, both Congress and the PT had both leftist and more pro-business elements. Simply paying attention to electoral interests produces confusing answers, which in particular cannot account for differences in how the state has sought to engage with business actors in promoting CSR. Moreover, it fails to shed any light on why we observe differences in the institutionalization of CSR in the two countries.

6 Conclusion
In order to explain how business and the state share responsibility for delivering collectively desirable goods, state capacity, norms regarding where such responsibilities lie, and the institutionalization of CSR, must be considered. The goal of the following chapters is to explain the pathways Brazil and India have taken, trying to understand the role of each of these factors in shaping outcomes along that pathway.

The three factors have historically worked in tandem, and none is sufficient to account for the differences described between Brazil and India. State capacity is largely a permissive condition – both Brazil and India are characterized by limited state capacity. However, how state capacity is limited in each case varies, which has implications for state willingness to encourage corporate actors to engage in social welfare provision. The interplay of ideas or responsibility and the institutionalization of CSR then shape how responsibility becomes shared between state and corporate actors.
To what degree do the Brazilian and Indian states play an authoritative role in social welfare provision? This question is at the centre of efforts to explain why and how these states choose to promote the involvement of corporate actors in community development. In other words, do states have the capacity to provide collectively desirable goods on their own?

In the broader group of cases from which Brazil and India are taken, namely the Global South, states are largely characterized by limited state capacity. This factor is one of the reasons why non-state actors have taken on such widespread roles in delivering collectively desirable goods. At the same time, non-state providers’ increasing role has led to considerable concern that their involvement undermines the ability of states to develop their own capacities to fund and provide social welfare (Cammett and MacLean, 2014b). State capacity, therefore, is important in helping us understand why we are more likely to see corporate actors becoming engaged in contributing to socioeconomic development in the Global South than the Global North, where the focus of CSR practices is more strongly placed on the ethical behaviour of companies.

While limited state capacity is what Brazil and India have in common, variations in how state capacity is limited also help explain some of the differences observed between the two cases. As a result, as the previous chapter made clear, a simple consideration of measures of state capacity is not sufficient to explain state policies. Instead, we need to understand how state capacity is deployed. To do so, we must consider politics.

I provide a brief history of the evolution of social welfare provision in Brazil and India, paying attention to how state capacity has been deployed. On the one hand, during the early days of social welfare provision in Brazil, limited state capacity contributed to the establishment of state policies which provided generous protections for a limited sector of the population. On the other hand, following independence the Indian state began to implement some social welfare
programs. It did so in a limited manner, however, prioritizing other policy goals and listing lack of resources as one of the reasons for its limited commitment.

More recently, the capacity of the state to engage in social welfare provision has increased in both Brazil and India, but differences in the level of capacity remain and the deployment of increased capacity has differed. I argue that in Brazil, efforts to implement programs such as Bolsa Familia have exemplified somewhat higher state capacity, though state performance was also buttressed by the fact that the PT placed a political emphasis on universalizing social welfare provision. India, on the other hand, has in recent decades more consistently placed somewhat greater emphasis on other political goals.

Differences in how state capacity is limited and deployed, though necessary to consider, are insufficient to explain outcomes observed in Brazil and India. State capacity has combined with dominant ideas (Chapter 5) and the institutionalization of CSR (Chapter 6) to shape how business and the state share responsibility for delivering collectively desirable goods. Nevertheless, throughout this chapter I show that the very limitedness of state capacity made Brazil and India a fertile ground for such sharing to emerge.

1 The Evolution of Systems of Social Welfare Provision in Brazil and India

In this section, I consider the development of social welfare provision in Brazil and India. I identify key historical moments when the institutional contours of social welfare provision were established, considering how limitations in state capacity have influenced state policies. I also consider how a shift towards a rights-based framework, which is discussed more thoroughly in the next chapter, provided an impetus for change.

1.1 Early Promises of a Welfare State in India under Nehru and the Politics of Poverty Reduction in the 20th Century

The concept of social protection in India dates to pre-colonial times (Jayal, 1999; Kattumuri & Singh, 2013). The notion that the poor and underprivileged should be provided for, argue Kattumuri and Singh, “is embedded in Indian culture and philosophy” (2013, p. 77). Buddhist teachings, for example, influenced emperor Ashoka (204-32 BCE) to promote equality and build
universities. The principle of dharma, found in numerous Indian religions including Buddhism, Hinduism, Sikhism and Jainism, though it lacks any single definition, focuses on principles such as duty, non-violence, respect for religion, and humane treatment. Under Mughal rule, Zakat was also introduced, and is best described as a form of taxation of the rich meant to provide funds for welfare provision for the poor, though, as Kattumuri and Singh note: “implementation seems to have fluctuated based on the commitment of emperors and their advisors” (2013, p. 80).

Under British rule, though famine relief was an important aspect of state policy (Jayal, 1999), the colonial government showed very little commitment to fulfilling the welfare needs of its subjects (Kattumuri & Singh, 2013). Jayal traces famine policy, arguing that the British believed that “gratuitous relief [was] a disincentive to hard work, and a provocation to idleness” (1999, p. 36). By the end of the 19th century, improvements were made in efforts to relieve famine (the need for which was further demonstrated by famines in 1896 and 1899), yet the government’s continuing refusal to interfere with food prices and supplies helped spur the Bengal famine of 1943. The overall lack of attention of the colonial government towards promoting the social welfare of the Indian population resulted in India having extremely poor social indicators at the time of independence.

After the end of colonialism, the new Indian state was faced with some stark choices. On the social front, one of the central debates centred on whether a more interventionist social policy should be implemented over welfare development through economic modernization (Ehmke, 2011). Nehru’s commitment to broader welfare goals was inherently linked to his dedication to socialism. Rao (1987) argues that by 1936, Nehru was converted to socialism, when he addressed a Congress session in Lucknow and declared that: “I see no way of ending poverty, the vast unemployment, the degradation and subjection of the Indian people except through socialism” (Nehru, 1936, cited in Rao, 1987, p. 196). However, Nehru was aware that his statements were alarming to some of his colleagues and India’s capitalists helping to finance the independence struggle, and he downplayed his socialist aspirations in subsequent years (Parekh, 1991).
However, the very text of the Constitution, discussed in greater detail in the next chapter, highlights the fact that poverty alleviation and social welfare provision were not the government’s primary goals in the immediate post-independence period, with welfare rights being placed in the non-binding Directive Principles of State Policy. While the Principles emphasize a dedication to social welfare, they also provide a limitation to the government’s possible role, declaring that: “[t]he State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want” (The Constitution of India, Part IV, Art. 41).

India’s first Five-Year Plans (FYPs), formulated by India’s Planning Commission, reflect the evolution of the state’s commitments to social welfare provision, at least as these existed on paper. The first two FYPs (from 1951-56, and from 1956-61) adopt the term welfare state. However, while the presence of the term suggests that the state did have a theoretical commitment to establishing institutions that would provide welfare, Nehru himself argued that the Indian state lacked the income necessary to adequately address welfare, stating:

There is not much to divide in India because we are a poor country. We must produce wealth, and then divide it equitably. How can we have a welfare state without wealth? Wealth need not mean gold and silver but wealth in goods and services. Our economic policy must therefore aim at plenty. (Nehru, 1955, cited in Kattumuri & Singh, 2013, p. 90)

According to Nehru, India could only pursue some of its goals at any given time. The goal of industrializing the economy took primary precedence. The social welfare programs discussed in the first FYPs reflect this emphasis. Though the plans use the term ‘welfare state’, they primarily consider social security for the organized urban sector (Kattumuri & Singh, 2013), which was needed for the industrialization effort.

41 Established in 1950, the Planning Commission was dissolved by the BJP in 2014 and replaced with the NITI Aayog (the National Institution for Transforming India).
By 1955, Nehru was dissatisfied with the pace of economic growth and poverty alleviation, declaring during the Avadi meeting of the Congress Party that India should adopt a socialist pattern of society (Parekh, 1991). This included emphasizing the goals of developing a welfare state and a socialistic economy (Rao, 1987; Parekh, 1991). In practice, the pursuit of a socialist pattern of society largely took the form of a greater commitment to a planned mixed economy, centered around a strong public sector. Parekh argues that Nehru’s socialism had economic and political ends, with the former not giving “high priority to equitable distribution or even to the provision of the basic needs of the masses” (1991, p. 39). While Nehru did consistently address these goals rhetorically, they did not form operative principles in his first five-year plans. Instead, Parekh argues that Nehru was primarily concerned with creating the foundations of some future socialist society, but he prioritized the immediate goals of increasing production (not of eliminating poverty).

The Fourth and Fifth plans, passed during the rule of Indira Gandhi, did introduce poverty alleviation programs, though these focused on alleviating acute poverty rather than having a more generous goal of improving welfare (Jayal, 1994). Jayal therefore concludes that the early Indian state was not a welfare state (Jayal, 1994), and the welfarist initiatives that did exist “were directed substantially towards the redressal of inequalities generated not by the market, but stemming from inequalities in the ownership and use of land” (Jayal, 1999, p. 31). Jayal therefore concludes that:

The Indian state… may be more appropriately characterised as an interventionist rather than as a welfare state…. The primary purpose of interventionism, and indeed its inspiring and guiding force, was developmentalist. This was not a state that self-consciously and deliberately took on the responsibility of providing for its citizens… The paramount project of the post-colonial Indian state was the project of modernisation… The "growth with equity" formula seemed to suggest that growth or development was an essential precondition for social justice, for a state which cannot afford to provide for the basic needs of its citizens, much less to ensure equality between them, can hardly afford to be a welfare state. (1994: 20)
This is not entirely surprising since dominant perspectives on development at the time (namely modernization theory) emphasized growth and industrialization. The result was the establishment of a long-term pattern in which growth became “a telos onto itself” (Jayal, 1994: 20).

Considering state capacity also helps to explain these developments. The Indian state under Nehru was unable to adequately address the issue of land reform. Under the British, land-use and land ownership patterns were altered to make it easier for British companies to acquire land for commercial use (Sethi, 2006). Even earlier, in Bengal, the East India Company and Bengali landlords agreed to the Permanent Settlement Act of 1793, which turned local revenue collectors (zamindars) into landlords, who were expected to collect rents and transfer a fixed sum back to the colonizers (Corbridge & Harriss, 2000; Washbrook, 1981). The Act eventually spread to other parts of India. While there was pressure for land reform following independence, such suggestions were met with severe criticism. Nehru backtracked, and the power of large landowners was not significantly affected (Corbridge & Harriss, 2000). Kohli (2012) notes that there was some success in eliminating the largest zamindars, but this was primarily a political rather than an economic phenomenon. Little was done to ensure that land be redistributed to the landless. Subsequent efforts to pursue land reform were even bigger failures, largely because the state was unwilling and/or unable to confront powerful interests in the countryside (Kohli, 2012).

The state’s autonomy to pursue policies that would infringe on the benefits enjoyed by large landowners was limited because of political reliance on their support. Nehru’s dedication to consolidating democracy took the form of incorporating powerful elites (including regional elites), but he and Congress also promised development that would improve the position of the poor. Kohli therefore argues that: “though these strategies helped to institutionalize India’s fragile democracy, at the same time, the resulting political developments also institutionalized the fragmented and multiclass political tendencies of the Indian state and undermined its capacity to pursue developmental goals vigorously” (Kohli, 2004, pp. 262-3). Policies that could have substantially impacted the position of the poor were never pursued. Instead, the focus was on addressing only the most acute deprivations. Despite Nehru’s socialist rhetoric, the poor did not benefit much, creating a long-term pattern (Kohli, 2012).
As a result, in practice, there was a degree of continuity between the colonial state and the new sovereign Indian state (Kohli, 2004; Samaddar, 2001). While the size of the civil service grew substantially, a major bureaucratic overhaul was never pursued. There was also continuity within the armed forces and in the relationship between the state and property-owning elites (Kohli, 2004). Very importantly, however, democracy in India survived, even as it faltered in other post-colonial contexts.

Kohli (2001) argues that early on, Congress relied on the traditional deference of many Indians, but by the time of Indira Gandhi’s tenure as Prime Minister (1966-77; 1980-84), this began to change. The central government’s ability to govern had begun to erode, and an increasing number of interest groups began to assert themselves (Manor, 2001). This was also spurred on by Congress’ inability to deliver on its development promises. As politics became more turbulent (including a state of emergency between 1975 and 1977), Indira Gandhi sought to hold onto power by turning Congress into a more populist, personalistic organ. She adopted a rhetoric of socialism and redistribution (Kohli, 2001), including the 1971 announcement of *garibi hatao*, a program to alleviate poverty. But as Kattumuri and Singh (2013, p. 91) show, only four percent of all funds allocated to economic development went towards the government’s main anti-poverty programs.

The years of Indira Gandhi’s rule left several important legacies. Overall, politics and Congress itself became more populist and deinstitutionalized (Kohli, 2004; Manor, 2001; Rudolph & Rudolph, 1987). Rudolph and Rudolph (1987) argue that during this time a ‘weak-strong’ state emerged, one which was also characterized by the decline of secularism and the increasing courting of Indian voters (both by Gandhi and by other parties) based on ethnic and religious affiliation. Buttressed by these trends, the Bharatiya Janata Party (BJP) emerged as an important political contender and opponent to Congress. The BJP platform has mobilized around its ideology of *Hindutva*, a prominent form of Hindu nationalism. Sarkar (1997) argues that it was Nehru’s inability to deliver growth and development that helped spur the rise of Hindu
nationalism, noting that the dividing line between ‘national’ and ‘Hindu communal’ assumptions and values has increasingly become porous.\textsuperscript{42}

Following Indira Gandhi’s death, her son Rajiv Gandhi was named Prime Minister. However, he inherited many of her political problems, and was quickly unable to effectively accommodate various demands (Kohli, 2012). Rajiv Gandhi began the process of liberalizing the Indian economy, and the economic growth that India has experienced in recent decades has meant that the state’s fiscal capacity to fund social welfare programs has increased.

At the same time, the period from the 1990s to the present has been characterized by the rise of regional parties, especially throughout Southern India. Many of these have drawn on support of intermediate or lower castes, which have been ignored by Congress (Kohli, 2001). Jaffrelot (2003) refers to the incorporation of upwardly mobile castes and groups as the ‘silent revolution’, but argues that their increased representation has not been accompanied by changes in policy (most importantly, there has been no redistribution of wealth). He notes that elites have accepted the incorporation of lower castes precisely for this reason—while the rhetoric may be radical, practice remains conservative, and the benefit for lower castes has been above all a symbolic act of recognition. It is not uncommon for lower-caste leaders to personalize power and limit the benefits of power to a circumscribed group. Lower-caste leadership, therefore, does not automatically translate into wider benefits for the poor and marginalized.

In sum, the insufficient resources of the early Indian state, its lack of autonomy from propertied classes, particularly in rural areas, and its prioritization of industrialization and economic growth, combined to produce a very limited system of social welfare provision. However, planned outlines for social services, as a percentage of GDP, did slowly begin to increase. While the First

\textsuperscript{42} The BJP has learnt to effectively use the politics of \textit{Hindutva} to their electoral advantage, and it finally came to power (with a minority government, the first National Democratic Alliance (NDA)) in 1998. The NDA lost power to a Congress alliance (the United Progressive Alliance (UPA), headed by Congress) in 2004, but was re-elected in 2014, with Narendra Modi becoming Prime Minister. The BJP has sought to redefine secularism as equal respect for all religions, and has, at various points, actively opposed safeguards for minority rights (Basu, 2001). Since the BJP came into power in 2014, violence against minorities, often by vigilante groups who claim to support the BJP, has been on the rise.
FYP set target spending at 0.6% of GDP, this began to increase, particularly in the 1980s. By the Ninth FYP (1998-2002), the planned figure stood at 2.0%, increasing to 3.3% for the Eleventh FYP (2007-2012) (Kattumuri & Singh, 2013, p. 95).

Despite these increases, the capacity of the state to implement public policies became strained. India’s civil service, the Indian Administrative Service (IAS), is the continuation of the colonial Indian Civil Service (ICS). The well-trained civil servants that had formed the ICS became indispensable to the state’s efforts to pursue its policies following independence, and no major overhaul was undertaken. As Kohli (2004) notes, professionalism was maintained well into the late 1960s, but the IAS subsequently became more politicized. During the tenure of Indira Gandhi, the autonomy and professionalism of state institutions began to erode, and power was centralized at the top (Rudolph & Rudolph, 1987). While the IAS did grow, quadrupling in size between 1950 and 1983, its effectiveness decreased (Kohli, 2004, p. 271). According to Kohli (2004, pp. 271-2): “what changed… was the diminishing degree to which the IAS was insulated from the broader society, the erosion of professional criteria for internal promotion, and a greater premium placed on connections and loyalty to politicians for securing desirable positions.” The bureaucratic capacity of the state eroded. At the same time, the state’s ability to effectively penetrate the countryside remained limited (Rudolph & Rudolph, 1987).

Though the state relied on the traditional deference of many Indians initially (Kohli, 2001), its inability to deliver on its welfare promises still posed a problem for the state’s legitimacy. While different parties’ increasing reliance on religious identity has been one way to shore up popular support, as the next chapter will show, trusteeship has also served a useful ideological tool at various historical points (Rolnick, 1962). By advocating the responsibility of business to share in the burden of social welfare provision, trusteeship has allowed the state to promote a framework of welfare provision that does not simply rely on the state’s own capacities.

Since the Indian economy has grown in recent years, the amount of resources available for social welfare provision has increased. However, overall problems with how state capacity has been mobilized to address welfare have persisted.
1.2 The Estado Novo and the Establishment of a Limited Welfare State in Brazil

Much of what has been written on social welfare provision in Brazil usually begins its story with the rule of Getulio Vargas in the 1930s (see for example (Draibe, 1989)). Draibe, who adopts the terminology of welfare states, dates the introduction of the welfare state in Brazil to the period between 1930 and 1943. However, according to a prominent Brazilian historian interviewed for this project, the emergence of ideas about what the state is responsible for goes back further (Interview BRB4), as do efforts to provide some social protections.

During the colonial period, governmentally financed insurance funds existed for the public sector (Malloy, 1979). One of the earliest efforts to expand this beyond the public sector came during the First Republic, an oligarchic regime that lasted from 1889 until 1930 (Kohli, 2004). This included the Eloy Chaves Law, passed in 1923, which entitled every railway worker to a pension, and was funded by contributions from employees, employers, and railways users (Santos, 2013). The state had a very limited role within these arrangements—it's primary role was to reduce conflict between different parties. During the Republic, the bureaucracy’s main function was to provide private services, not public ones, and virtually everyone who came into contact with it considered it incompetent (Geddes, 1990).

Getulio Vargas sought to develop a more organized (if not a more universal) system of welfare provision, and he sought to improve the bureaucracy. Vargas rose to power in October 1930, following what is often referred to as the 1930 Revolution. Once he centralized and assumed all legislative and executive powers, and imposed his corporatist dictatorship, the Estado Novo, Vargas began to pursue civil service reform. He wanted progress on both the industrial and social fronts. This meant “channeling some benefits to the working class, without giving them rights to organize and participate politically” (Kohli, 2004, p. 156). To this end, and inspired by its

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43 The Republic was characterized by regionalism and weakness of the central state, with numerous powers resting with the governors of the most important states such as Sao Paulo.  
44 This is also consistent with Mares and Carnes’s (2009) argument that authoritarian states can choose to expand welfare states as a means of boosting their legitimacy.
variants in Europe, Vargas implemented a corporatist system. Vargas’ corporatism exhibited strong state control and was organized along a sectoral basis (Power & Doctor, 2004).45

During Vargas’ rule, Brazil did achieve significant results, with growth averaging 6% per annum between 1930 and 1947 (Kohli, 2004). However, Brazil had limited domestic capital and resources, and it relied heavily on foreign investment despite the state’s efforts to encourage domestic industrialization.

To reform the civil service, Vargas established a centralized agency with broad powers in order to implement these reforms: the Departamento Administrativo de Servico Publico (the Administrative Service Department, or DASP) (Geddes, 1990). It was established as a superministry reporting directly to the president and became an important administrative tool. However, many of its powers were stripped once Vargas lost power and democracy returned in 1945.

It was also during this time that the contours of a system of welfare provision were established. In 1938, the National Social Security Council was created, and served to organize social services for the next fifty years. Thus, Draibe, Castro and Azeredo (1995) date the introduction of welfare provision to the period between 1930 and 1943, noting that this was followed by a stage of fragmented and selective expansion. The corporatist structures meant that only those belonging to unionized categories recognized by the state were eligible to make demands on social policies, including education, housing and public health. Malloy (1979, p. 69) nicely encapsulates the main characteristics of the system in noting that: “Protection was a de facto governmentally conferred right which continued to be based on the contractual obligation of the insured to contribute to his own protection.”

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45 While there are different classifications of corporatism, different types are usually defined with reference to the degree of state intervention and control over societal groups. More statist corporatism is characterized by a higher degree of control, versus societal corporatism, where the process of tripartite negotiation is stronger. Classic Brazilian corporatism largely falls towards the state end of the spectrum, “but in democratic periods, politicians could use corporatist institutions to mobilize electoral support and co-opt groups to shape the policy consensus” (Power & Doctor, 2004, p. 221).
Following the Second World War, the Brazilian economy continued to grow an average of 9% per annum between 1945 and the early 1960s under a nominally democratic government, which oversaw an effort to diversify and expand the country’s industry (Kohli, 2004). During this period (1945-64), which is often referred to as the ‘democratic experiment’, the state faced internal and external strains despite higher levels of growth. A new constitution passed in 1946 allowed for the continuation of a corporatist state, with the political machine established under the Estado Novo now being used to collect votes for a democratic government (Fausto, 1999). Vargas was democratically re-elected in 1950, but opposition to his rule arose, and having lost support of the military, he committed suicide in 1954. Juscelino Kubitschek was elected president in 1955, and oversaw a period of relative political stability.

This stability did not last—Janio Quadros, who replaced Kubitschek in 1961, resinged after seven months, with his vice president Joao Goulart coming to power. Goulart was widely considered to be more left-leaning, and during his tenure social movements began to rise. The government sought to respond by passing a number of reforms (referred to as ‘basic reforms’) that would address agrarian reform, political rights, and greater state intervention in the economy. As Fausto (1999: 268) notes, however: “These reforms entailed great changes which the dominant class vehemently opposed.” Brazil’s growing middle class was not in favour of the reforms, and support for the government began to decline, while amongst more conservative elements of the country calls for a coup increased.46

During this democratic interlude there was a move towards greater institutional innovation and expansion in terms of education, health and social welfare. Draibe et al. note, however, that this expansion “occurred within a pattern of social intervention by the state that was simultaneously selective (regarding beneficiaries), heterogeneous (regarding benefits), and fragmented

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46 Kohli summarizes this period by noting that the mixed economic outcomes experienced were also reflective of the character of the Brazilian state, which was partly cohesive-capitalist, and partly not, writing: “[t]he downward reach of the state was limited, fragmenting state power; class politics and related legitimacy concerns were never too far from the surface; and there remained a patrimonial underbelly that characterized both part of the central state and the politics of the vast, unincorporated agrarian periphery” (2004, p. 170).
(institutionally and financially)" (1995, p. 3). Under this system, employers, employees and the state continued to provide the funds for social security, which covered only urban labourers. However, widespread corruption and clientelism resulted in unions favoured by the state receiving greater benefits. Overall, from the 1940s to the 1960s, social security arrangements covered some 12% of the Brazilian workforce leading to greater overall inequality (Santos, 2013, p. 134).

In sum, like the case of India, the Brazilian government emphasized achieving rapid economic progress (efforts to improve the bureaucratic capacity of the state were also geared towards that end). The provision of collectively desirable goods such as healthcare was designed in such a way as to support those goals. Considering state capacity through a different lens, one that focuses on the authority of the central government, Vargas’ social and labour legislation was also designed to achieve certain political goals of the state. This included the eradication of the centrifugal forces of local and regional politics that had characterized the First Republic (Malloy, 1979). Overall, Malloy (1979) concludes that social and labour legislation was a paternalistic gesture of the regime, not a response to any pressure from classes or interest groups.

The basic structures for social provision established under Vargas remained in place until 1966 (Malloy, 1979). The state’s bureaucratic capacity to pursue its goals during this time was uneven. According to Geddes (1990), following the return to democracy in 1945, there was an increase in patronage appointments within the bureaucracy, and the overall level of competence decreased. Vargas’ return to power (democratically) in 1951 produced mixed results. As part of his commitment to developmentalism, he sought to institute reforms to strengthen the civil service, but he also continued the practice of awarding appointments to supporters. During the 1950s, however, ‘pockets of efficiency’ began to emerge within the bureaucracy, meaning that the state was better able to pursue some goals. These pockets of bureaucratic efficiency included certain public enterprises, some bureaucratic agencies organizationally separate from the federal bureaucracy, and executive groups that had the task of coordinating development projects (Geddes, 1990). An important example is the National Development Bank (BNDE, which is today known as BNDES), established in 1952.
The military came to power in a coup in 1964 and pursued continuity with the *Estado Novo*. The period of consolidation of military rule from 1964 until 1967 was particularly harsh, and the regime’s enemies were widely arrested and tortured. The dictatorship was able to achieve significant growth in its initial years. While there may have been divisions within the military elite, its leaders “were relatively united on broad economic goals – committed to ‘developmentalism’… meaning economic growth, industrialization, statism, close collaboration with foreign capital, and a near total neglect of the welfare needs of the lower strata” (Kohli, 2004, p. 193). Two years after the military came to power, the government unified social security institutions covering the military and civil servants into the National Security Institute (INPS), with the goal of reducing the power of unions and rationalizing social protection systems (Santos, 2013). While benefits remained the same, much of healthcare provision was privatized. Privatization was also a victory of what Malloy (1979, p. 129) refers to as the “administrative-technocratic wing of the original Vargas coalition” against labour. Social policy came under the control of apparently ‘apolitical technocrats’ who responded to the priorities of the military regime, not societal pressure groups.

There were also efforts to expand the system, including the creation of a social protection program for rural workers (FUNRURAL) in 1971, an expansion of rural clinics in the Northeast in 1979, and efforts to provide emergency healthcare for all citizens (Arbix & Martin, 2010). As the economy grew, the state’s resources grew with it and the benefits provided were broadened. Despite the expansion, large sectors of the population remained outside of social protection schemes and differentiation persisted, feeding into already existing systems of stratification (Malloy & Parodi, 1993). This expansion, nonetheless, marked the first break with the social mechanisms established with the Eloy Chaves Law in 1923. According to Malloy (1979) there were two primary reasons for the expansion. First, this was an effort to increase state penetration and control of rural society. Second, the expansion reflected the authoritarian regime’s goal of ‘national integration’ that would allow the state to fulfill its human and economic potential, and thereby achieve military security and national grandeur.

From 1974-1980 the overall competition for state benefits increased (Draibe et al., 1995). During this time, it also became increasingly obvious that social policies tended to operate according to a
clientelistic basis (Arbix & Martin, 2010; Draibe, Castro, & Azeredo, 1995), meaning that many Brazilians faced difficulties of access. As a result, Malloy and Parodi conclude that: “the rule may say that benefits are rights of citizenship but de-facto decision structures demand many if not most low-income people enroll as a client of some intermediate-level patron” (Malloy & Parodi, 1993, p. 362). Overall, social security arrangements tended to benefit political elites and urban citizens already part of the labour force, while deepening inequalities between urban and rural Brazilians (Coutinho, 2013). The arrangements, according to Coutinho, “embodied a vision according to which social law is, practically speaking, identified with charity and assistencialism, fostering a disempowering passivity among the recipients” (2013, p. 314). In a similar vein, Draibe (1989) concludes that the primary objective of the Brazilian system was to maintain the status acquired by workers, rather than addressing the needs of the population more broadly.

The period between 1980 and 1984 was characterized by a crisis of the social security system (Draibe, Castro, & Azeredo, 1995). A decline in the state’s capacity to pursue its goals underpinned the crisis. The underlying mechanism of increasing state strength was through divide-and-rule, with the corporatist structures in place in some sense seeking to control various societal groups (Wayland, 1998). Weyland argues that this strategy backfired, as “narrow societal groups and clientelist networks established links to public agencies” (1998, p. 52). All of this was done as the state apparatus continued to grow (the expansion of social policies such as FUNRURAL being the perfect example) and became more difficult to coordinate. As a result, as the state sought to expand its penetration and control over larger sectors of Brazilian society, some of its own policies undermined those very goals.

Politically, mobilization against the military regime stepped up in 1968, with street demonstrations and worker strikes (Fausto, 1999). Dissent continued in various forms in subsequent years, and a new type of unionism, one increasingly independent of the state, began to emerge. As public support for the dictatorship declined, there were some efforts to liberalize. When General Ernesto Geisel took power in 1974, he represented a more moderate group within the military elite, and committed his administration to a return to civilian government (Luna & Klein, 2014). A severe recession between 1981 and 1983, during which GDP fell by 1.6 percent annually (Fausto, 1999, p. 305), served to undermine the military’s argument that it had a
superior capacity to deliver growth, creating an important blow to the government’s legitimacy (Kohli, 2004).

Eventually, direct elections for state governors were held in 1982 (Luna & Klein, 2014), followed by an indirect election (by electoral college) for the presidency. A new Constitution, passed in 1988, represented an important landmark. It created a federalist system that gave greater autonomy to subnational units (Fenwick, 2009). The decentralization provided within the Constitution opened up spaces for local actors to carry out reforms, while providing advanced protections for social and political rights (Luna & Klein, 2014; Hall A., 2008).

The economic crisis during the 1980s also ushered in a series of neoliberal reforms since Brazil, like much of Latin America, had to turn to the International Financial Institutions (IFIs) in order to meet debt obligations. The Real Plan, developed by Fernando Henrique Cardoso in 1994, sought to stabilize the country’s currency and achieve macroeconomic stability. Cardoso also began the process of expanding social welfare provision (discussed next), a task subsequently taken on by Lula and the PT.

This discussion demonstrates that historically, the Brazilian state deployed its more limited resources primarily with the goal of pursuing welfare policies that would benefit industrialization and increase the state’s ability to control various societal groups. The presence of the state was limited, however, and as the state apparatus grew, so did efforts to further expand the state’s reach (as exemplified by FUNRURAL). This expansion did not improve coherence and accountability, and efforts to overhaul the state’s bureaucratic apparatus were largely ineffective.

A common thread underlining the Brazilian state’s corporatism and its efforts to deliver collectively desirable goods was the goal of maintaining (and/or increasing) state control. The next chapters argue that this goal also guided the state’s policies on how to define and control corporate involvement in socioeconomic development. Brazilian corporatism then combined with a limited conception of citizenship to strengthen the notion that it is the state’s responsibility to organize social welfare provision, even if that provision is limited to particular sectors of the population.
1.3 The Shift to a Rights-Based Framework, and Expansion of Social Welfare Provision

In the last three decades, there has been a growing shift towards a more rights-based approach to socioeconomic development in both Brazil and India, which has played a role in shaping the nature of the countries’ systems of social welfare provision. Chapter 2 established the contours of those systems, while Chapter 5 considers this shift in greater detail, focusing on understanding how notions of responsibility have evolved in these two contexts.

At a global level, it has been argued that a move towards a more rights-based approach to development was triggered by the end of the Cold War, which opened the space to discuss rights more directly, increasing NGO activism, and shifts in aid delivery (Cornwall & Nyamu-Musembi, 2004). In the case of India, this includes the Right to Information Act (2005), the Right to Education Act (2009), the National Rural Employment Guarantee Act (NREGA, 2005), and the National Food Security Act (2013). Civil society and the Supreme Court have played an important role in pushing these causes forward: for instance, a Supreme Court ruling relating to higher education, and which emerged through public interest litigation, was the impetus for the Right to Education Act (Jayal, 2013).

While India is therefore representative of this larger global trend, domestic politics were far more important in explaining these outcomes than international influences. The fight for NREGA provides a good example of this point. Analyzing the politics behind NREGA, Jenkins and Manor (2017) show that though NREGA is organizationally rooted in Maharashtra’s experience with implementing the right to work (which began in various forms in the 1970s), its primary political roots lie in grassroots activism in Rajasthan. This grassroots activism was in large part driven by drought conditions in the state, with Jenkins and Manor concluding that: “the genesis of what would become NREGA stemmed from the interrelation between economic realities in Rajasthan and political developments in Delhi” (2017, p. 37). The movement found support in the Congress Party, which was challenging the BJP-led National Democratic Alliance (NDA) government in the elections of 2004. Politically, international trends mattered insofar as support for NREGA was a way for Congress to question the far-reaching liberalization pursued by the NDA government. Ideationally, proponents of the right to work also drew on the internationally
renowned work of Amartya Sen (Jenkins and Manor, 2017), an Indian development economist whose writings, in emphasizing rights, expanded our definitions of poverty. However, while criticisms of liberalization and calls to view poverty as linked to an absence of rights were used to help build support for the program, Jenkins and Manor (2017) show that the interaction of domestic institutions (including the Supreme Court, political parties, and the bureaucracy) and civil society during an election year created the primary impetus for NREGA’s creation. Thus, though international trends mattered, domestic economic and political conditions are more central in explaining NREGA.

Like India, while international influences were important in Brazil (the country is emblematic of the wave of democratization in the late twentieth century), domestic politics are more central in explaining the shift to a more rights-based approach to development. Calls for democratization during the last years of the military dictatorship became intertwined with discussions about the country’s model of economic growth, which had given rise to increasing inequalities. All of this brought discussions of social welfare provision back into the center of political debates. Democratization also opened the space for various groups, including social movements, which had been left out of political deliberations during the dictatorship, to influence the future direction of the country. The process of writing a new Constitution became central. According to a prominent Brazilian sociologist, “social movements started to look to the Constitution as where they should try to reach” (Interview BRA7), meaning that they saw the Constitution as an opportunity to make an impact.

Despite the importance of social movements, the push for greater rights and the recognition that Brazil needs some sort of effort to fight poverty and inequality, this process cannot be described as bottom-up in the sense that it was not the poor masses that demanded change. In the words of one legal scholar, “the middle classes decided that we should look at the poor” (Interview BRA2). The process of democratization allowed a set of aspirations to surface in Brazil, ones which reflected a desire to make the country a more equitable and fair society. These aspirations influenced the writing of the final document. The Brazilian Constitution, passed in 1988, sought to create a new social pact, which recognizes that the state has a responsibility to provide social welfare, including education, healthcare, and social assistance, for all members of society. This
included several shifts, and the language of ‘social insurance’ was replaced with ‘social security’. Importantly, the Constitution sought to establish that the state’s provision of social welfare was not a matter of charity but is a social right (Santos, 2013). The decentralization provisions established by the Constitution are central to this effort, as the three federative levels (federal, state, and municipal) are envisioned to together carry out the implementation of social programs. Since 1988, the Brazilian government has implemented a number of new social welfare programs, including a new publicly-funded national healthcare system and poverty-fighting schemes such as conditional-cash transfer (CCT) programs (*Bolsa Escola* in 2001, and *Bolsa Família* in 2003).

In both Brazil and India, the push for greater positive rights has increased pressure on the state to improve the overall delivery of collectively desirable goods. However, this pressure in and of itself does not necessarily determine that the delivery of such goods should fall solely on the state. As a result, the degree to which the state is able to do so on its own (state capacity), together with dominant ideas regarding where responsibilities for social welfare provision lie (Chapter 5), need to be considered.

**2 Deploying State Capacity: How do India and Brazil Compare?**

To aid a comparison of state capacity in Brazil and India, it is useful to consider how state capacity has been measured in the two countries, paying attention to how state capacity is being deployed to support particular political ends.

**2.1 General Measures of State Capacity**

In a recent study of state capacity in India, Ganguly and Thompson (2017) develop a composite measurement of state capacity for India and other members of the BRICS, including Brazil. The composite takes into account four measures: a state’s fiscal capacity (as measured by tax revenue as a proportion of gross domestic product); a state’s coercive capacity (based on their own coercive-capacity scale); legitimacy (using the World Bank’s indicators on voice and accountability, effectiveness, rule of law, and control of corruption); and finally, an armed force monopoly (using the World Bank subjective indicators on political stability).
Their composite score places Brazil’s capacity at 2 versus India at 1.67 (by comparison, countries such as France and the UK stand at 2.67) (Ganguly & Thompson, 2017). These measures suggest that Brazil and India are middle cases, but that Brazil has higher state capacity than India. The trouble with comparisons of state capacity, however, is that finding empirical data to build comparisons is difficult. For example, the composite scores used by Ganguly and Thompson (2017) rely on the World Bank’s Governance Indicators as the main source of data. A key component of those indicators is a measure of government effectiveness, which is meant to capture perceptions about the quality and independence of the civil service, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. According to the government effectiveness measure, India scores higher than Brazil fairly consistently, though Brazil is higher along certain other dimensions of governance (controlling corruption, political stability, and regulatory quality). Brazil is slightly higher for voice and accountability, but measures for rule of law for both countries exhibited too much variation through time to be of particular help.

In both cases, there is significant temporal variation for all measures considered, particularly for government effectiveness. This is not entirely surprising: as Kurtz and Schrank (2007) show, the World Bank’s measures consider perceptions and lack historical sweep. As a result, seeking to establish a comparison between Brazil and India is difficult, and turning to any one measure is not sufficient to demonstrate how considerations of state capacity influence state policies. As Chapter 3 suggested, I instead draw on Centeno, Kohli and Yashar’s (2017) breakdown of organizational state capacity to understand how state capacity has been deployed in Brazil and India. I also heed their warning that state capacity need not be the same across policy areas, making some aggregate measures less helpful. As a result, where possible, I focus on how state capacity has been deployed to provide collectively desirable goods.
2.2 Resources Available for Social Welfare Programs, and the Presence of the State

An important difference between Brazil and India that has implications for both the extractive and penetrative capacity of both states is the size of the informal economy.47 In India, 58% of the labour force is still engaged in agriculture (Government of India, 2008), while the ILO reports that 68.8 percent of Indians not engaged in agriculture are in the informal sector (ILO, 2012). Thus, while precise estimates vary, 80 to 90 percent of India’s economy is informal.

By contrast, though still large, Brazil’s informal economy is significantly smaller. Henley et al. (2009) provide three means of measuring informality: employment contract status; payment into social security protection; and the nature of the employment and the employer. Their findings suggest that: “[a]round 63% of all the economically active in Brazil are informal according to at least one of the three definitions, but only 40% are informal according to all three definitions” (Henley, Arabsheibani, & Carneiro, 2009, p. 1001). This is consistent with ILO (2012, p. 3) data from 2012, which puts the figure at 42.3 percent. Moreover, since these figures were published, legislation has been passed that requires employers to register their domestic workers, which number some seven million, while also providing domestic workers with labour protections (New Brazil law supports domestic workers’ rights, 2014).

The fiscal capacity of both states has steadily increased in recent decades because of greater economic growth and improvements in the states’ capacity to collect tax revenues. In Brazil, during the debt crisis, tax revenues decreased by approximately 2% of GDP between the early 1970s and the mid-1980s (Weyland, 1998, p. 52). According to World Bank Data (Tax Revenue (% of GDP) - Brazil, 2018), the tax to GDP ratio hit a low of 9.53% of GDP in 1991, before rising again to a high of 16.5% in 2005. The number again decreased to 12.8% in 2015, as the country entered a recession. In the case of India, during the last two decades of the twentieth century, the tax to GDP ratio, though varying, changed little: it stood at 8.3% in 1974, and at 8.2% in 2001. Following 2001, it began to grow, reaching a high of 12.3% in 2007, before again

The size of the informal economy can arguably be both an outcome of state capacity and a cause of state capacity. The relevant question here is how the size of the informal economy has an impact on the state’s ability to fund social welfare spending.
declining to 11% in 2013 (Tax Revenue (% of GDP) - India, 2018). However, given the rates of growth India has experienced in recent decades, those increases have been significant.

The figures provided by the World Bank are not entirely indicative of the funds available to states since they do not include compulsory transfers such as social security contributions. When these contributions are included, Brazil’s tax-GDP ratio rose from 26.9% to 36.3% between 1995 and 2012 (Melo, Barrientos, & Coelho, 2014, p. 4). By contrast, India’s stands at 17.38% (Ministry of Finance, 2015, p. 14).

There are also important differences in the nature of the taxes collected in Brazil and India. In India, taxes are primarily collected by the federal government, and a significant portion still comes from indirect taxes (including duties, fees, etc.), with the rest coming from direct taxes (including personal and income taxes). Figures provided in the 2016 Union Budget show that some 67% of government revenues came from taxes (both direct and indirect), 11.1% came from non-tax revenues, and some 26% came from capital receipts. The percentage of Indians who pay income taxes is very low – while estimates vary, the figure stands at less than 3 percent.

In the case of Brazil, Melo et al. (2014, p. 10) note that the most important federal taxes are the income tax, and the tax on manufactured goods (the IPI), which together account for 90% of taxes collected federally. The personal income tax is a progressive tax, with rates ranging from 7.5% to 27.5%, depending on income levels. The portion of tax collected as indirect taxes is

48 These figures were calculated based on figures provided in the 2016 Union Budget ((GOI), 2016).
49 The corporate income tax rate for Indian companies for 2015/16 is 30% (India: Corporate - Taxes on Corporate Income, 2016). Foreign companies (including all companies registered under laws of a country other than India) pay a 40 percent tax rate (with the surcharges for higher earnings standing at two and five percent respectively). However, numerous loopholes exist, and the effective tax rate (calculated as tax actually paid divided by profits before tax) paid by companies rarely reaches the levels indicated. Overall, many individuals in India lament the country’s taxation policies, noting that while tax rates are high, creative accounting often results in many of the most profitable companies paying very little tax.
50 The IPI is a value-added tax on production based on the sale price when a product is manufactured, or when imported (Melo, Barrientos, & Coelho, 2014).
51 The corporate income tax is set at a fixed rate of 15 percent, with a surcharge of 10 percent for companies with a taxable income above BRL 240,000. Companies also need to pay a social
still high, however, what distinguishes Brazil from many other countries is the high portion of social security contributions. These have grown historically, from 3.7% of GDP in 1965, to 5.2% of GDP in 1968 (Malloy, 1979, p. 168), to 8.4% of GDP in 2010 (OECD, 2010, p. 3). It is this high level of social security contributions that helps explain why World Bank figures of the tax-to-GDP ratio only capture some of the difference between Brazil and India.

This discussion suggests that the resources available to both the Brazilian and Indian states have increased in recent decades, but that the extractive capacity of the Brazilian state is somewhat higher than India’s. In fact, both states have increased spending on social welfare provision, both in real terms, and as a percentage of GDP.

In India, considering spending on just six social protection schemes, Kapur and Nangia (2015, p. 79) find that public expenditure increased 22-fold, from Rs. 52 billion in 1991/2 to Rs. 1 trillion in 2012/13. However, they note that while growth in social protection spending has been significant, it has not been accompanied by investment in basic public goods, noting that “the country’s basic public services, such as primary education, public health, and water and sanitation, have languished” (Kapur & Nangia, 2015, p. 73). Spending on education and healthcare did increase, but the change was not particularly significant: public health expenditure as a percentage of GDP increased from 1.1% in 1995 to 1.4% in 2014, while government expenditure on education as a percentage of GDP increased from 3.5% in 1998 to 3.8% in 2013. Jayal makes a similar argument: “a curious bifurcation occurs between antipoverty programs and those services—such as water and electricity—that are subsidized in the name of the poor but are effectively available only to the nonpoor” (2013, p. 194).

contribution on net income, which amounts to nine percent (fifteen percent for financial institutions) (Brazil: Corporate - Taxes on Corporate Income, 2016). Similar to India, corporate taxes are only collected at the federal level. Larger companies in Brazil, therefore, face a tax rate of some 34 percent. Despite this, a report shows that between 2006 and 2009, the effective tax rate paid by Brazilian companies stood at 24.1 percent (Global Effective Tax Rates, 2011).

52 While Indian states do carry responsibilities for delivering social welfare programs (Dasgupta, 2001), many of the recent major social programs have been initiated and funded by the central government (Kapur & Nangia, 2015).

53 Data is taken from the World Bank.
Between 1995 and 2010, Brazil’s federal social spending doubled, and by 2010, more than half of the population received some monetary benefits through various social security programs (Santos, 2013, p. 145). During this period, public social expenditure increased from 11.24% of GDP to 15.54% of GDP (Castro, Ribeiro, Chaves, & Duarte, 2012), while social security spending increased from 4.98% of GDP to 7.3% of GDP (Castro, Ribeiro, Chaves, & Duarte, 2012). In 2012, federal social spending in Brazil stood at 15% of GDP, which is nearly on par with OECD countries (OECD, 2014, p. 3). Of this, a significant portion goes towards pensions (10%) (OECD, 2014, p. 3), while the final cost of administration of the entire Bolsa Familia program stands at less than 1% of GDP (in 2013, a World Bank estimate put the cost at 0.6% of GDP (Wetzel, 2013)). Soares (2013) sums up these numbers by noting that there is generous protection for formal workers and their families, less general protection for those who are poor because of old age or disability, and even less protection for those who are simply poor. This is partly linked to the fact that while social benefits such as unemployment insurance and pensions are indexed to the minimum wage, programs such as Bolsa Familia are not.

A related question of state capacity also concerns the presence of the state, and its societal reach. Measuring this is not an easy task: Saylor (2013), for example, suggests considering factors such as the number and spatial distribution of federal agents, the date of the first national census, road density, amount of railroad, enrollment at primary and secondary schools, and property patterns. For the case of Brazil and India, the World Bank provides several sets of potentially relevant data. For example, in terms of the educational system, according to the World Bank, the gross primary enrollment ratio for Brazil and India for 2015 stands at 115% and 108% respectively (since the calculation includes over-age and under-age students, the number can rise above 100%). In terms of infrastructure, 99.65% of the Brazilian population (97.8% of the rural population), and 79.17% of the Indian population (70% of the rural population) had access to electricity as of 2014. Finally, the percentage of the total population employed in the public sector stands at 5.93% in Brazil (as of 2009), and at 1.6% in India (as of 2005).\textsuperscript{54}

\textsuperscript{54} This data is derived from a World Bank (2016) dataset on the size of public employment.
This shows that, on balance, the Brazilian state is better able to penetrate society, which is presumably useful in implementing policies. This is reinforced by the point made at the beginning of this section – the informal sector of the Indian economy is significantly greater than Brazil’s, partly because a large sector of the population, some 58% (Government of India, 2008), remains engaged in agriculture (according to the World Bank, as of 2016, 67% of the population remains rural). By contrast, only 14% of the Brazilian population lives in rural areas, and just over ten percent (as of 2015) is engaged in agriculture (World Bank, 2017).

These aggregate measures, however, do not capture the type of variation that exists amongst subnational units within Brazil and India. Particularly in the Indian case, enormous variation exists between different states. As was noted previously, social policy areas such as health and education are implemented by state governments. States such as West Bengal and Kerala have reduced poverty at a much faster pace than other Indian states. In Poverty Amid Plenty in the New India, Kohli (2012) traces these differences, citing three distinct types of developmental states in India: neo-patrimonial, social-democratic, and developmental. He shows, for example, that in Southern India (unlike in the Hindi heartlands of the North) the domination of the caste system was challenged early in the 20th century (Kohli, 2012). The result has been that lower castes have been politically mobilized to a greater degree, and investments in health and education have been superior. All of this has contributed to different patterns of development.

2.3 Bureaucratic Capacity

Arguably the most important prerequisite for effective implementation of social welfare programs is the bureaucratic capacity of the state. This measure considers the presence of a trained and professional civil service, and coherence, particularly in terms of inter- and intra-institutional communication and accountability (Centeno, Kohli, & Yashar, 2017). As was already noted earlier, the World Bank provides governance measures, which are taken by some authors as a proxy for bureaucratic capacity (for an example, see Ganguly & Thompson (2017)). While Brazil scores slightly higher for three of these measures, India scores better on one (government effectiveness). I have also argued that these measures are inherently problematic, making it difficult to employ them in developing a clear picture of actual trends in capacity.
In this section, I draw on relevant quantitative data, but use the qualitative data collected during fieldwork to assess the state of bureaucratic capacity in Brazil and India, particularly in the field of social welfare provision. I focus on the implementation of two important programs: Brazil’s Bolsa Familia and India’s Mahatma Gandhi National Rural Employment Guarantee scheme. Such qualitative data is not necessarily comparable but does provide insight into how policy makers themselves view the capacities of the institutions within which they work, and as such, can shed light on how state actors choose to deploy state capacity for particular ends, which is the subject of the final section of this chapter.

India has often been described as a country full of paradoxes. Many of its top-level institutions, including the Supreme Court and the country’s nuclear program, work impressively well. However, many of its lower level institutions falter. To explain this paradox, Pritchett (2009, p. 4) refers to India as a ‘flailing state’, writing that it is “a nation-state in which the head, that is the elite institutions at the national (and in some states) level remain sound and functional but that this head is no longer reliably connected via nerves and sinews to its own limbs.”

In an often-cited report on the need for administrative reforms, N.C. Saxena (2012), a prominent former civil servant, argues that the capacity of the Indian state has in fact declined. While the fiscal capacity of the state has been growing, this has not translated into desired results because of problems with how programs are implemented. Saxena (2012, p. 2) notes that the GOI transfers nearly 6.5 lakh crore rupees every year to states for pro-poor services, arguing that if even half that amount was sent to families directly, they would receive more than 130 rupees per day. This is far from what recipients ultimately receive in terms of public goods and services. My interviews widely reflected the opinion that the ability of the Indian state to affectively implement its intended goals is low. The argument was succinctly summarized by a high-ranking official in the Rural Development Ministry:

After thirty-two years in government, I am much more conscious of state failure. I am also equally conscious of rapidly depleting state capacity in age-old activities of the state,

55 The italics are the original author’s.
56 6.5 lakh crore rupees is equal to 6.5 trillion rupees.
such as providing clean drinking water, basic public safety—activities for which the state was created. We are failing miserably. We don’t need CSR, we don’t need lessons, we know this is our primary job. (Interview INB15)

Saxena (2012) lists the primary problems of the Indian bureaucracy as follows: a lack of professionalism, the creation of redundant posts, an inability to adequately deliver services, and a problematic system of reward and punishment. The criticism has even been voiced by the government of India:

The state apparatus is generally perceived to be largely inefficient with most functionaries serving no useful purpose. The bureaucracy is generally seen to be tardy, inefficient and unresponsive. Corruption is all-pervasive… Criminalization of politics continues unchecked, with money and muscle power playing a large role in elections. In general there is a high degree of volatility in society on account of unfulfilled expectations and poor delivery. Abuse of authority at all levels in all organs of state has become the bane of our democracy. (Second Administrative Reforms Commission, cited in Saxena, 2012, p. 3)

Saxena’s (2012) report paints a stark picture, noting that while there was an expansion of state services between 1970 and 1990, there was also an increase in bureaucratic control over processes of production and distribution. He argues that this trend increased during emergency rule in 1975, and that those who are at the top treat the Indian state as their own private property. As a result, there is a gap between the stated and unstated objectives of government. While there might be an official procedure, for example, for the hiring and promotion of civil servants, many posts are sold to the highest bidder. This ensures that sometimes individuals who are meant to be implementing government policy lack the necessary skills to do so effectively.

Together with the siphoning of funds, these practices ensure that the implementation of public policy programs in India continues to be ineffective. This has very real consequences, particularly for more impoverished Indians. Anthropologist Akhil Gupta (2012) argues that extreme poverty in India should be theorized as a direct and culpable form of killing that is made
possible by state policies, rather than being some sort of inevitable outcome. He does not blame bureaucrats as a whole, noting that even when bureaucrats want to engage in projects that can reduce poverty, the policies and procedures of the bureaucracy itself undermine such efforts.

The example of the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) scheme can be used to illustrate both a number of successes and the implementation problems listed thus far. Dating to 2005, NREGA is most comparable to Brazil’s Bolsa Familia. The Act (2005, p. 1) sets out to “provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work.” By emphasizing that the government has a responsibility to provide rural workers with employment, and by legally legislating this responsibility, the government recognized that individuals have a right to work. The scheme operates on a self-selection mechanism—the rural poor must identify themselves as wanting to participate. The assumption behind the scheme is that only the poorest will self-select since the wages paid are very low.

The Act also establishes a specific division of responsibilities between various levels of government. Funded by the central government, it stipulates that individual states must develop an employment scheme that meets the requirements set out in the Act. It also specifies important roles for the panchayti raj, India’s system of local elected governments, and designates that projects designed and implemented by village councils are expected to account for half of NREGA spending (Jenkins and Manor, 2017).

Many individuals strongly support NREGA because it provides a lifeline for impoverished rural households. By doing so, the scheme also decreases migration from rural to urban areas, reducing the pressure on the latter (Dreze & Khera, 2009). Despite this, the scheme is often vilified with two primary critiques focusing on the degree of corruption in the implementation of the project (usually with respect to the muster rolls which list the individuals working), as well as the value of productive assets produced.
The corruption surrounding NREGA has captured the imagination of middle-class Indians. The initial roll-out of the scheme was administered largely by the local *panchayats*: they created the muster rolls of individuals participating in the program, which were used to deliver payments. The rolls were often inflated, and middlemen pocketed the difference. More recently, there has been a move to deliver NREGA payments directly to bank accounts or to post offices. The hope is that this will help reduce some of the leakage recorded, with Niehaus and Sukhtankar (2013) finding that workers paid through bank accounts earn more. However, the same study also found that when the statutory daily wage for the program was increased, none of the increase was passed onto the workers themselves but was instead diverted.

Nevertheless, as with social policies more generally, there is a wide variety of outcomes between different states in India, suggesting that the bureaucratic capacity of individual states must also be taken into consideration. Khera (2011) shows that while a state such as Orissa has failed to deliver consistent employment (and has pursued projects disconnected from local priorities), Tamil Nadu has developed a strong administrative system that tracks daily operations of NREGA projects and has managed to make the program effective. Taking such a subnational perspective paints a more mixed picture of bureaucratic capacity in India—while the Indian state overall can be described as having middling capacity, this obscures differences in capacity across different states.

NREGA is just one of a wide array of social welfare policies in India, but it is reflective of a larger trend: on balance, the success of social welfare schemes has been limited, in part because of lower bureaucratic capacity to implement programs. The leakage of funds is great, though the precise amount is difficult to assess. Some data does exist, and a 2005 Planning Commission report (quoted in Niehaus and Sukhtankar (2013, p. 52)) shows, for example, that 58 percent of subsidized grains distributed by the Targeted Public Distribution System is diverted and never reaches the intended beneficiaries. This compares somewhat unfavourably with the ability of the Brazilian state to implement social welfare programs.

A recent study by Bersch, Praca and Taylor (2017) sheds light on the functioning of the Brazilian bureaucracy. Similar to India, they show that there are important variations in state capacity
within Brazil, which is consistent with historical trends. As was noted, during the historical development of the Brazilian bureaucracy, certain agencies were characterized by greater competence and professionalism, while others were instruments of patronage (Geddes, 1990). Vargas tried to upgrade overall bureaucratic performance, creating a centralized administrative service agency, but following the return to democracy the number of patronage appointments increased again. In response, state efforts during the 1950s centred on creating ad hoc insulated agencies that would promote the country’s primary goal – development – while the traditional bureaucracy remained mired in patronage. These became variously known as ‘pockets of efficiency’ (Geddes, 1990) and ‘archipelagos of excellence’ (Schneider, 2016). The capacity of the bureaucracy subsequently declined in the 1980s (Weyland, 1998), and this pattern of unevenness has persisted (Schneider, 2016). The results of recent efforts to reform the overall public administration have been mixed. In an overview of administrative efforts, Nunberg and Pacheco (2016, p. 135) conclude that: “performance and merit cohabit with capture and corporatism; flexibility and informality circumvent rigid rules and cumbersome bureaucratic procedures.”

Bersch, Praca and Taylor’s (2017) analysis seeks to distinguish between capacity and autonomy, and to measure these for different agencies within the Brazilian federal bureaucracy. They then map various agencies according to these criteria. Their analysis shows that certain agencies can indeed be labeled as ‘archipelagos of excellence’ since they are characterized by both high capacity and high autonomy (for instance, the Finance Ministry and the Central Bank). However, one of their most interesting findings is that there are quite a few agencies which are characterized by high capacity, but low political autonomy. Health, social security and social policies fall within this category. This supports Centeno, Kohli and Yashar’s (2017) argument that we need to consider how state capacity is deployed, and for what political ends. As Bersch, Praca and Taylor (2017, p. 177) note, these agencies are “likely to be of great interest to political

57 Their capacity measure takes into account career strength (whether civil servants are in their core or expert careers), and three measures of career specialization (average longevity in the civil service, percentage of civil servants requisitioned from other agencies, and the average salaries of civil servants within that agency). The autonomy measure considers the proportion of both low-level and high-level civil servants being filled by party members, as well as the proportion of civil servants that belong to political parties.
actors at the state and municipal level, suggesting the representatives in Congress will seek control over policy by politicizing appointments and the civil service, even as they permit the bureaucracy to develop significant capacity.”

These findings are consistent with analyses of the implementation of one of Brazil’s signature social welfare policies, *Bolsa Familia* (BFP). The 1988 constitution set as its aim the goal of transforming Brazilian society (Coutinho, 2013). The main instruments for achieving this have been a series of efforts to expand the reach of the welfare state through a combination of universalist and targeted programs. These include poverty-fighting programs in the form of conditional cash-transfer (CCT) schemes that have been implemented throughout Brazil. In 2001, the *Bolsa Escola* program began at the federal level. It aimed to reduce poverty and inequality in the long-run by improving access to education, while also reducing poverty in the short term by transferring cash to poor households. The program reached 5 million households before being incorporated into the wider *Bolsa Família* program (BFP) in 2003, the largest CCT in the world. BFP has been effective and is an example of the fairly robust reach of the Brazilian state. Despite this, it is still the subject of numerous debates in Brazil and has many detractors.

*Bolsa Familia* provides conditional cash transfers at two levels. A basic benefit is paid to the extremely poor (anyone with declared per capita income less than ¼ of the minimum wage), and a larger benefit is paid to poor households (with a per capita income that is less than ½ the minimum wage) with young or school-age children (Bastagli, 2009). The program is administered across all municipalities of the country, and its goal is to reach the poorest sectors of Brazilian society. It is also fairly unique in that it is based on self-declared income. There is no effort to check income eligibility requirements, and individuals are taken at their word.

The program is implemented through the participation of all three levels of government. The federal Ministry of Social Development is responsible for the program’s administration, while states are responsible for monitoring overall implementation. Municipalities register poor households into the national single registry (the *Cadastro Unico*), and monitor the conditionality requirements for education and health. The ministries of education and health are then responsible for the provision of public education and health services. Thus, when problems in the
provision of education and health arise, there are negative consequences for the overall impact of BFP. Finally, the BFP benefits are paid directly to families by the CAIXA Economica, which is a federal bank. The final cost of administration of the entire program stands at less than 1% of GDP (in 2013, a World Bank estimate put the cost at 0.6% of GDP (Wetzel, 2013)).

Given its relatively low cost, the impact of BFP has been significant. Brazil’s Gini index fell by 4.7% between 1995 and 2004, with BFP being responsible for 21% of that fall (Soares, Ribas, & Osorio, 2010, p. 179). The program reaches 11.2 million households, which accounts for approximately one quarter of the population (Bastagli, 2009, p. 18). As a result, by 2013, extreme poverty was cut in half from 9.7 to 4.3 % of the population (Wetzel, 2013). In terms of its other effects, results have been mixed. BFP has had a positive impact on school attendance, but many children continue to lag behind in terms of learning outcomes. It has had no effect on immunizations, though there is a higher awareness of public health (Soares, Ribas, & Osorio, 2010). This suggests that there are supply-side problems; i.e., the quality of health and education services is still low. Thus, while BFP reflects positively on Brazil’s capacity to deliver poverty alleviation programs, comparable capacity does not exist in other areas.

Some of the mechanisms put in place for BFP are now being used for other social programs. For example, the Cadastro Unico is being used for the targeting of another social welfare program, Brasil sem Miseria (Brazil without Extreme Poverty) in rural areas. The program seeks to ensure that BFP recipients also have access to a number of rural development initiatives (Cirilloa, Györia, & Soares, 2017).

Given that the recent importance of positive rights increases pressures on both the Indian and Brazilian states to improve welfare outcomes, the comparison of the current bureaucratic capacity of the two states sheds lights on why the Indian state is more willing to promote the involvement of non-state actors in social welfare provision. Despite increases in the state’s ability to fund programs, its capacity to implement them has faltered. Brazil, on the other hand, has been better able to marshal its resources to improve social welfare outcomes, making it less necessary for the state to turn to non-state actors, and to promote their involvement in delivering collectively desirable goods. Considerations of state capacity, however, do not necessarily shed
light on to which non-state actors the state would turn - corporate or civil society (the choice of corporate actors is explored in Chapters 5 and 6).

2.4 Continuing Problems with Corruption

Ongoing corruption erodes both fiscal and bureaucratic capacity in both Brazil and India. In India, corruption is seen as an ever-prevailing problem of the political system and of the bureaucracy in particular. India continuously ranks highly on corruption perceptions indices. While many of my informants actively discuss the scourge of corruption, they also openly admit to regularly bribing bureaucrats and police officers to get things done more easily. Saxena (2012) argues that corruption has become a part of the system, and that its blatant presence within the higher levels of the bureaucracy emboldens lower level bureaucrats to act with impunity.

While an analysis such as Saxena’s sheds much light on the problems of the functioning of Indian bureaucracy, it does not go far enough in analyzing the effects of these state failures on the poor, nor in unpacking the notion of ‘corruption.’ While it is easy to dismiss corruption as normatively ‘bad’, its prevalence and continuation is a symptom of a wider problem within the bureaucratic system, which, as Gupta (2012) argues, tends to systematically marginalize the most vulnerable groups in society. Numerous anthropological contributions to the study of corruption in India highlight that in some circumstances, corruption is the only means through which poor and marginalized groups can make claims on the state (Visvanathan, 2008; Bodruzic, 2016).

For example, in his analysis of the experiences of rural migrants and squatters in Indian cities, Visvanathan (2008) shows that paying a bribe is sometimes the only way for migrants and squatters to obtain services. Migrants find themselves in a highly bureaucratized environment that is not set up to meet their needs, and often lack skills needed to navigate that environment. A bribe becomes an act of problem-solving, since the “bureaucracy demands a literacy which an oral or ethnic community may not have. Corruption then becomes a form of reskilling, a travelogue, a catalogue of how to access the system” (Visvanathan, 2008, p. 4). This is a product of the inadequate reach of the state, and its inability to effectively deliver social services to the entire population. While corruption persists, and has detrimental effects, it also provides groups with a method of engaging with the bureaucratic apparatus of an unresponsive state.
Similarly, widespread corruption is seen as inhibiting the capacity of the Brazilian state to fulfill its intended goals. This is exemplified in the most notable current corruption scandal surrounding Petrobras. The political implications have been widespread, including the 2016 impeachment of Dilma Rousseff. The corruption that plagues Brazil, however, is of a type which is less ubiquitous than India’s. This is not to say that there is no lower-level corruption in Brazil, but while bureaucratic procedures in Brazil may be complicated and sometimes convoluted, one can still accomplish everyday tasks such as getting a phone-line without resorting to corruption. This is more difficult in India. In Brazil talk of corruption often centres on the behavior of higher government officials, and their engagement with either business actors, or NGOs. My conversations with Brazilians reveal concerns with how public projects are funded, problems surrounding tender processes, and elections. In that sense, while concerns with corruption are constantly present, they do not affect the everyday efforts of Brazilians to go about their lives in the same way as in India.

These observations are also supported by research. Power and Taylor (2011) note that the views of ordinary Brazilian citizens are often far more dire than international rankings of Brazilian corruption. They cite a 2004 Transparency International Report, which found that Brazilians were the nationality with the greatest overall concern with corruption. Brazilians, however, link corruption more directly to government and the political process. A 2009 DataFolha survey revealed that when ordinary Brazilians are asked to define corruption, approximately 43% immediately made reference to politicians and the public sector, leading them to conclude that “the majority of Brazilians associate corruption with government” (cited in Power & Taylor, 2011, p. 4). This is not to say that corruption in Brazil is not serious – estimates suggest that the cost of corruption ranges from 1.35 percent of GDP and 5 percent of GDP (Power & Taylor, 2011, p. 1). Nevertheless, the existence of such scandals does not appear to significantly impair the day-to-day running of Brazilian institutions, certainly not in the same manner as corruption in India. Arguably, this serves to highlight the greater capacity of the Brazilian state to hold its lower level civil servants accountable, and to deliver certain public goods. Nonetheless, corruption scandals have contributed to the current political turmoil in the country, which has in
turn triggered protests by civil servants. The fallout from corrupt practices is therefore now impacting the functioning of the bureaucracy, even at lower levels.

3 Political Priorities and the Deployment of State Capacity

The preceding analysis has highlighted that Brazil and India are middle cases in terms of their state capacity, though by many measures Brazil seems to have slightly higher capacity. Yet in the field of social welfare provision, Brazil’s achievements have been arguably superior, which cannot be simply explained with reference to aggregate measures of state capacity. The Brazilian state has more effectively deployed state capacity in its efforts to reduce poverty and deliver collectively desirable goods. As a result, in this section I consider how these goals have been prioritized.

In India, the shift towards a rights-based framework has helped to strengthen the demands that can be made on the state (Dreze & Khera, 2017). Notable pieces of rights-based legislation, including the right to some employment (NREGA) and the right to education (Right to Education Act 2009), were passed by the Congress-led UPA government and signified a mild move to the left (Kohli, 2012). Congress needed the support of leftist political parties, and a commitment to NREGA in particular reflected this need, while also signaling that the state cannot fully abdicate all of its social responsibilities (Ghosh, 2016). As Ghosh (2016, p. 551) points out, however: “UPA did not signal the rolling back of neoliberal economic policy – its own Prime Minister had been the architect of such policies in 1991 – but now some visible pro-poor policy was necessary.” As Kohli (2012) points out, however, since many of these social programs envision a role for state and local governments (which are in many cases ineffective), the central government has easily passed blame when social programs do not meet initial expectations.

Throughout, the push for market-type solutions has persisted (Kohli, 2012), and this push has strengthened under the BJP-led National Democratic Alliance (NDA) that came into power in 2014. Since NREGA was designed as a flagship program of Congress, the BJP has been one of its most ardent critics, but the program was far too important for the BJP to dismantle once it came into power. Instead, many commentators have argued that the NDA government would
chip away at NREGA as it focused on other programs, with one former senior civil servant arguing that NREGA will be killed with “benign neglect” (Interview INB12).

This is not simply a matter of allocating funds to NREGA, since the amount of money spent on the scheme depends on how many people participate (and are paid for their participation). Since coming to power, the NDA government has undertaken a number of actions which jeopardize the ability of NREGA to have desired effects. In response, in October 2014, a group of 28 prominent Indian academics issued an open letter to the government to protest its stance on NREGA. The letter notes that at the relatively low cost of 0.3% of GDP, some 50 million rural households are receiving some employment, and the majority of workers are women, with nearly half of all workers being Dalits and Adivasis (Letter to PM on NREGA from Leading Development Economists, 2014). While acknowledging some of the problems of the program, including corruption, the letter notes that: “[I]t is alarming to hear of multiple moves (some of them going back to the preceding government) to dilute or restrict the provisions of the Act…. For the first time, the Central Government is imposing caps on NREGA expenditure on state governments, undermining the principle of work on demand. (Letter to PM on NREGA from Leading Development Economists, 2014) More recently, PM Modi referred to the scheme as a “living monument” of the Congress-led UPA government’s failures (Tewari, 2016). Despite this, the funds allocated to the scheme were slightly increased for the 2016 budget, though this is still a reduction compared to its highest levels (between 2009 and 2013). However, since the funds allocated are not necessarily the funds spent, it is not clear that this budgetary provision is much more than a half-hearted message to rural populations that they have not been forgotten.

The example of NREGA’s implementation and the debates surrounding the program support Jayal’s (2013, p. 193) conclusion that: “the new regime of SERs [social and economic rights]… does not signify a substantial break from the procedures and practices of the old one.” In other words, the presence of social and economic rights on the policy agenda does not necessarily mean that the practices of social welfare provision have changed in significant ways.

My interviews revealed that these outcomes are part of a larger political problem in India, which interviewees referred to as a declining sense of a public good. A prominent political economist
linked this to changing patterns in Indian democracy, noting: “Part of the reason is [that] election costs are going up. In the past, lawyers were a huge part of parliament, then also members from the agricultural sector. Last two or three elections, really rich people are coming in” (Interview INA1). He also argues that this is creating significant conflicts of interest, especially in situations where members of Parliament have substantial outside business interests. It also means that the autonomy of the state is declining. This decline in pursuing the public good is therefore linked to what one commentator referred to as the limitations of the Indian ‘political class,’ noting that “they think that power is in the system, and that power then has to be used for their own gain” (Interview INB3). This is also consistent with Saxena’s criticism that there is a growing “belief widely shared among the political and bureaucratic elite that the state is an arena where public office is to be used for private ends” (Saxena, 2012, p. 2). As Mehta (2012) notes, this has eroded the authority of politicians, and those in power generally seek to avoid responsibility.

Once again, regional variations in India need to be acknowledged. In a study that compares different states in India, Singh argues that different social outcomes can be explained with reference to the strength of subnational identification, positing that the “shared solidarity that emerges from a collective identification can generate a politics of the common good” (2015, p. 5). She shows that cohesiveness of communities and the strength of affective attachment can create a solidaristic ethos that encourages the promotion of collective and not just individual interests. Elites that are then bound by such solidaristic ties are more likely to pursue broader social welfare policies. In her analysis, Singh (2015) shows that states such as Kerala and Tamil Nadu, which have achieved superior social development outcomes, are characterized by stronger subnational ties than poor performers such as Rajasthan and Uttar Pradesh.

As a result, since many social welfare provision programs are meant to be implemented by states rather than the federal government, such subnational variations suggest that the political willingness to deploy state capacity with the goal of promoting socioeconomic development differs across different states in India. Nevertheless, the political priorities of the central government still matter. As Kapur and Nangia (2015) note, the central government wields influence over social welfare provision policies, in addition to providing funding for public
goods. In sum, the manner in which both central and state governments seek to deploy capacity to promote socioeconomic development needs to be considered.

This discussion shows that overall, the political will to more adequately address poverty and social welfare has been lacking at the level of the central government and also across many Indian states. This in turn is further amplifying existing problems of state capacity. My interviews reveal that the consequences of chronic poverty receive insufficient attention in India. When pressed on this question, some of my informants revealed that at the end of the day, as long as the Indian state does something, there will be little effort to hold it further accountable.

It is within this framework that the state has also promoted the involvement of corporate actors in social welfare provision. One of the running themes of many of my interviews was the argument that India’s CSR policies flow directly from the state’s own inability to adequately promote socioeconomic development. As one of my informants, a senior and career-long bureaucrat, quipped: a theory worth exploring is whether “CSR in a country is inversely proportional to good governance in a state” (Interview INB15). This chapter demonstrates that problems with how state capacity has been deployed to address social welfare provision help to explain the state’s willingness to share some of its responsibilities with non-state actors. The precise choice of corporate actors, however, cannot be explained without reference to the role of ideas (regarding if and how responsibility should be shared between state and corporate actors) and institutions (promoting and implementing CSR programs).

Arguably, the Indian state’s choice to share some of its responsibilities has also been aided by the fact that the government, especially under the BJP, keeps prioritizing economic development above other considerations. During one of my interviews, when I inquired about the developmental priorities of the current government, a high-ranking official within the Ministry of Corporate Affairs concluded by saying that: “The priority in terms of a long-term vision for the country is to create institutions that will provide an enabling environment for business” (Interview INB24). A focus on economic development does not in and of itself encourage the involvement of corporate actors in delivering collectively desirable goods – however it does signify the channeling of state funds towards goals other than social welfare provision.
Thus, while both Brazil and India have adopted constitutional promises to ensure positive rights such as education and access to food, this has permeated public policy in different ways. Under the rule of the PT from 2002-2016, there was a strong commitment to social welfare causes in Brazil. The moment of democratization, and the writing of the 1988 Constitution, emphasized the need to change the country by targeting inequality. Experimentation with new social welfare programs began with the Cardoso government, but the focus on reducing poverty and inequality was really taken forward by the PT and Lula after 2002. While maintaining an openness towards business, the PT and Lula set about establishing a number of social welfare programs, with BFP being the PT’s flagship program. There was therefore a great amount of political will towards expanding social welfare provision, which helped to facilitate the implementation of schemes such as BFP.

Because of the connection between the PT and BFP, critics of the PT often attack BFP on political grounds. One of the main critiques of BFP states that BFP is simply a ‘vote-buying’ mechanism (i.e. a form of clientelism) that creates dependency. According to one commentator:

> If you look at public policies, you have some pieces that today is clear just came for votes and for political reasons – to make a fake democracy. Why am I saying this? The most outstanding program that came was Bolsa Família. From the beginning, it was a big mistake, because they didn’t put for these people, receiving a kind of monthly salary, conditions to grow for themselves, say through vocational training or anything. It was just the money. And the money was good, because then you can receive a vote.

(Interview BRB10)

This quote encapsulates perspectives common in the business community and amongst large sectors of Brazilian society. However, this criticism is sweeping and does not adequately

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58 I conducted fieldwork in Brazil during the 2014 presidential election and observed that BFP was an often-talked about subject in the run-up to the election. Surprisingly, the degree of dislike of BFP from some corners of Brazilian society was staggering. However, this was very much the story of Sao Paulo, where the support for the opposition was high, and did not necessarily reflect feelings towards the program in areas of the country where most of BFP’s recipients are located.
reflect the multiple reasons that are changing electoral patterns in the country. The root of the criticism is the shift in electoral patterns that first emerged with Lula’s re-election in 2006. As Chapter 3 showed, these shifts cannot simply be explained with reference to BFP.

Instead, BFP was central to the PT’s vision of what Brazil could become, and reflected a return to a form of developmentalism that emphasized the role of the state.59 As Bersch, Praca and Taylor (2017) show, the bureaucratic agencies implementing these policies have been characterized by high capacity, even while their autonomy from ruling political forces has been low. Like India, this suggests that the state’s efforts to promote corporate involvement within social welfare provision must be understood within the context of how the state has engaged in social welfare provision. The Brazilian state has been more willing, and able, to improve social welfare outcomes by relying on its own capacities.

4 Conclusion

This chapter shows that even though both Brazil and India are characterized by limited state capacity, overall, state capacity has historically been deployed differently with regard to social welfare provision. This difference has contributed to setting Brazil and India on slightly divergent paths, ultimately resulting in the patterns of shared corporate/state responsibility laid out in Chapter 2.

In the early days of the institutionalization of social welfare provision, limited state capacity in Brazil played a role in establishing generous state benefits for a limited sector of the population. In India, the state chose to largely prioritize other policy goals, listing lack of resources as one of the reasons for its circumscribed commitment to delivering collectively desirable goods. In recent decades, Brazil has, on balance, been able to more effectively deploy its state capacity than India in order to improve social welfare provision.

59 It is clear that no government is likely to simply take BFP away – the program is far too popular. However, what happens with the program in the future does seem to be linked to larger political and economic trends in Brazil. The government of Michel Temer passed a constitutional amendment that freezes social spending (in real terms) for twenty years. While in India, the BJP government has been accused of killing NREGA with neglect, such spending cuts may have a similar impact on social programs such as BFP.
As a result, the differences in how state capacity is deployed continue to play a role in shaping the pattern in which responsibility for providing social welfare is divided between corporate and state actors. These differences help to explain why the Indian state has been keener to promote corporate involvement in social welfare provision than the Brazilian state. However, the limited nature of state capacity does not explain the differences in how the two states have done so, nor does it explain the willingness of the Indian state to openly argue that the corporate sector shares responsibility for socioeconomic development. In order to answer those questions, we must consider how notions of responsibility have evolved in Brazil and India (discussed next), and how these have also been shaped by the nature of the business/state relationship in these two countries (the subject of Chapter 6). While a consideration of state capacity gives us the beginning of an explanation, it is not sufficient to account for the divergence in state policies towards CSR, nor in the willingness of companies to take on responsibility for contributing to socioeconomic development.
Chapter 5: Evolving Ideas of Responsibility: Trusteeship versus Statism

Developments within Brazil and India fall within the larger international trend of linking corporate social responsibility and development, recognizing that corporate actors ought to play a role in the social and not just economic development of the communities where they operate. I argue that while the Indian government has more openly embraced this, going so far as to specifically say that some of the responsibility for welfare provision rests with corporate actors, the Brazilian state has sought to maintain its position as the primary provider of social welfare.

When describing recent CSR trends in India to informants in Brazil, the response was always largely the same — ‘That just couldn’t happen here.’ Beyond the issue of institutional set-up, my informants argue that social provision is primarily the responsibility of the state. Most corporate actors and individuals working within the field of CSR add that companies in Brazil face a heavy tax burden, so asking them to take on responsibilities for social development above and beyond that would be unthinkable.\(^{60}\) By contrast, many of the corporate actors encountered in India openly state that they do have some responsibility for development, often noting that the government simply cannot do it all alone.

In this chapter, I argue that in Brazil the existing norm is that it is primarily the state’s responsibility to deliver collectively desirable goods. In India, on the other hand, the emerging norm is that this responsibility should be shared by both state and corporate actors. I argue that these ideas regarding responsibility primarily act as norms, despite the fact that they remain

\(^{60}\) This does not mean that companies never face pressure from communities to deliver public goods such as building a school or hospital. However, companies do not, by and large, feel that they are responsible to deliver collectively desirable goods more generally.
contested,\textsuperscript{61} because they are above all about how state and corporate actors ought to act, rather than laying out precise blueprints for action.\textsuperscript{62}

This chapter demonstrates that these norms are themselves the product of historical processes, during which specific sets of ideas interacted with limited state capacity. As Chapter 3 established, a fruitful point of departure for understanding the emergence of these norms are evolving ideas of citizenship and corporatism in the context of Brazil, and of citizenship and trusteeship in the context of India. This is also consistent with Centeno, Kohli and Yashar’s (2017) point that when focusing on how state capacity is deployed with the goal of achieving social inclusion, we can consider two elements, the terms of membership and associated public goods and social programs. I focus not on membership per se, but rather on understanding what is subsumed under citizenship rights (civil and political rights, or also socioeconomic rights), and whether these are extended to all sectors of the population equally. I also focus on understanding how this combines with different notions about how business and the state should interact to shape expectations placed on actors other than the state (in this case corporate actors) to share some responsibilities for providing collectively desirable goods together with the state.

I argue that the legacies of trusteeship in India, and its historic usefulness as a rhetorical device for the Indian state, have enabled the emergence of a shared sense of responsibility between the state and corporate actors. On the other hand, in Brazil a statism instituted through corporatism has played a strong role in entrenching responsibility for social welfare provision within the state itself. As a result, even state efforts to promote CSR have evolved in such a way as to maintain the state’s primary role in organizing welfare.

\textsuperscript{61} In India, for example, recent trends in rights-based legislation have served to push for a strengthening of the notion that the state has a responsibility for social welfare provision. However, as will be discussed in this chapter, while this has helped contribute to a broadening of the state’s role, this has not greatly strengthened the norm that responsibility should be placed more squarely on the state (as evidenced by the discussions regarding Companies Act 2013).

\textsuperscript{62} For instance, the Brazilian Constitution of 1988 states that it falls on the state to organize social welfare provision, but it does not provide blueprints for doing so.
Though the importance of ideas has continued throughout, this chapter shows that ideas have in particular played a central role in shaping norms of responsibility at two historical points: the period of the 1920s to the 1950s, when systems of social welfare provision began to be established; and the period of the 1980s to the 2000s, when CSR and a rights-based discourse gained salience in both Brazil and India. While a different set of ideas operated in Brazil and India during this first period (trusteeship and a focus on political rights in India, versus corporatism and a focus on graduated citizenship in Brazil), in the second period, both states were exposed to similar international pressures. However, the pathways established in this earlier period of development of systems of social welfare provision have meant that the two countries have reacted somewhat differently to international pressures focusing on CSR and rights-based development. As a result, the norms emerging in Brazil and India have differed. While this Chapter analyzes the root of those ideas, Chapter 6 focuses on how these ideas were then institutionalized through efforts of the state to promote corporate involvement in social welfare provision, as well as through company responses.

1 India: Trusteeship and the Slow Movement from Political to Socioeconomic Rights:

In India, the Gandhian notion of trusteeship is the defining characteristic of the relationship between business and the state when we consider social welfare provision. It is at the root of present-day understandings of CSR and CSR practitioners still bring it up as justification for their policies and programs. As the previous chapter noted, following independence, when limited state resources required that the Indian state make choices between promoting economic development and industrialization, and promoting poverty reduction, it chose the former. This was apparent even in the writing of the Indian Constitution, which entrenches political rights, while only making broad promises to address socioeconomic ones. During this period, trusteeship also became a useful political tool for justifying the state’s policy choices.

This contributed to the establishment of norms regarding the division of responsibility for social welfare provision that has resonated to this day. Both state and corporate actors have expressed some acceptance of the notion that this burden should be shared. However, the rise of rights-based legislation in recent decades has represented a push against this diffusion of responsibility. This section explores these trends, arguing that the legislation of CSR spending can be seen as a
re-affirmation of the state’s lukewarm willingness to fully commit itself to building a more traditional welfare state.

Though the term corporate social responsibility arrived in India from abroad, it became inherently linked to the Gandhian concept of trusteeship. Pushpa Sundar (1999, 2013), who traces the emergence of CSR, identifies trusteeship as a phase of CSR. However, trusteeship conceptually encompasses a number of elements not normally subsumed under Western understandings of CSR, including a normative stance on how wealth in a society should be divided. In practice, however, even Gandhi promoted what was ultimately a more circumscribed understanding of trusteeship, one which did not threaten the current distribution of wealth. This was partly a result of the religious roots of the concept, as well as of practical considerations – Gandhi needed the support of Indian industrialists for the independence struggle.

1.1 Gandhian Trusteeship:
To understand the importance of trusteeship in India, several things need to be considered: first, how Gandhi developed the concept, and the sets of ideas on which he drew in its formulation; and secondly, the way in which he applied it. Additionally, we need to consider how trusteeship evolved in the post-independence period, and how it intertwined with the state’s more circumscribed and welfarist approach to social welfare provision.

Today, when CSR practitioners discuss the roots of CSR in India they often emphasize trusteeship, but their understanding of trusteeship is primarily limited to the notion of philanthropy. Gandhi’s conceptualization of trusteeship represents an effort to go beyond an emphasis on philanthropy. As Chakrabarty (2015, p. 574) points out, trusteeship “was both a moral philosophical device and also an extremely useful political tool.” Phyllis J. Rolnick (1962), who researched trusteeship in the post-independence period, is even more direct in calling trusteeship a political ideology. As an idea, trusteeship initially had elements of both a frame (Gandhi sought to present it in such a way as to alter the behaviour of industrialists) and a norm. Gandhi’s goal was to reconceptualize how the wealthy ought to use some of their wealth.
The trustee, as envisioned by Gandhi, is not meant to be the state but individuals. Sethi argues that the best way to understand trusteeship is as “an economic conscience by which an individual when engaged in economic activity takes into account not only his own interests but also the interests of others” (Sethi, 1986, p. 93). This is not to say that a state has absolutely no role. However, Gandhi never left a fully formulated work on trusteeship, and the state’s precise intended role is difficult to gauge. Before analyzing the uses of trusteeship in more detail, it is useful to understand the origins of the concept.

Deeply rooted in an organic conception of society, and emphasizing the giving and acceptance of charity, trusteeship represented Gandhi’s understanding of what different sets of actors, including more privileged groups and the state, should or should not do in their interactions with broader society. This interaction, and the question of what the state should do, were all ultimately linked to one point – the ownership of property. However, there was an inherent tension in Gandhi’s conceptualization of trusteeship – while he promoted a particular form of trusteeship which would ensure a more equitable distribution of wealth, in practice, he always stood with industrialists against labour.

The concept of trusteeship is rooted in several religious concepts. One’s religious duty or dharma includes the charitable distribution of wealth. The Mahabharata, an ancient Indian epic, argues that only such charitable distribution of wealth can allow wealthy men to fulfil their dharma (Rolnick, 1962). Gandhian trusteeship also draws on two central concepts from the Bhagvad Gita: aparigraha (non-possession) and samabhavana (equality or oneness with all) (Chakrabarty, 2015). These concepts dictate that one’s property is not meant for personal satisfaction, but as an offering to God. Gandhi believed that if an individual held more than his share of wealth, he became a ‘trustee’ of God. According to Chakrabarty (2015, p. 586): “Gandhi’s trusteeship was a well-meaning effort to resolve all social and economic conflicts which grew out of inequalities and privileges of the prevalent social order.” Rolnick is more critical of the impact of religious traditions on Indian society, writing: “religion continues to provide a rationale to make life bearable for those at the bottom of the scale, and guiltless for those at the top. As one Indian politician and thinker has put it, Hinduism teaches the poor to endure everything quietly, to be "content" with their poverty, for the fruits of their contentment
will be gained in the next birth or in paradise” (1962, p. 445). Here Rolnick channels Ambedkar (2014), the author of the Indian Constitution, who was born a Dalit and who often clashed with Gandhi’s views on Hinduism. Ambedkar did not believe that true economic progress could take place before social change, which would displace the importance of caste in Indian society.

In formulating trusteeship, Gandhi also drew on western concepts and was influenced by the work of John Ruskin and Andrew Carnegie. Gandhi would ultimately refer to his reformulated concept as “India’s gift to the world” (Chakrabarty, 2015: 579), since it represented a different conceptualization of the relationship between business and society.

In his writings, Gandhi notes that reading John Ruskin’s book *Unto This Last* changed his life. For Gandhi, the book highlighted the moral principles that had been lost as a result of industrialization. Gandhi was drawn to Ruskin’s criticism of the role of self-interest in economics, which Ruskin saw as bringing a “schism into the Policy of Angels and ruin into the Economy of Heaven” (Ruskin, cited in Cook, 1968, p. 134). Gandhi was also influenced by American industrialist Andrew Carnegie, and his book, *The Gospel of Wealth*. In the work, Carnegie argued that the wealthy should see themselves as trustees of that wealth and should seek to contribute to society. He placed great importance on philanthropy, arguing that the rich should spend their money on building schools and hospitals, rather than in engaging in extravagant displays of wealth.

Finally, Gandhi was also influenced by English legal traditions, including Edmund Burke’s trusteeship model of representation, which emphasized that elected representatives should view themselves as trustees of their constituents. According to Burke, elected representatives, as trustees, could go against the wishes of their constituents provided that they viewed their actions as contributing to the common good. Gandhi admitted that his study of English law allowed him to see how philanthropy can contribute to the public good, and therefore influenced his understanding of the role the wealthy should play. In this vein, Gandhi reconceptualized the role of Britain as a colonizer, arguing: “the British rulers will be . . . trustees and not tyrants and they will live in perfect peace and harmony with the inhabitants of India” (Gandhi, 1942, quoted in Chakrabarty, 2015, p. 591). By extension, he was critical of British rule above all because the
British failed to act as adequate trustees. However, by embracing British legal traditions, Gandhi also internalized the paternalistic undertones of trusteeship in English law, arguing that capitalists were intellectually superior to workers (Chakrabarty, 2015: 594).

Gandhi never developed a fully formulated conceptualization of trusteeship. According to V.K.R.V. Rao (1986), a prominent Indian economist, Gandhi’s primary concern was to reform the institution of private property. Rao (1986) argues that with trusteeship, Gandhi managed to create an alternative instrument for achieving socialist change. Both Rao (1986) and Chakrabarty (2015) show that Gandhi’s formulation of trusteeship emerged out of his critique of industrial capitalism, and a particular conceptualization of political economy that challenged two tenets of capitalism: private property and competition. Gandhi saw private property as giving rise to selfish and anti-social behavior. He also saw the rise of Marxist principles, and revolutions driven by those principles, throughout the globe. Because of his dedication to the principle of non-violence, Gandhi did not support this form of socialism. According to Rao, he wanted a non-violent solution to the problem of exploitation associated with the system of private property. In his *Constructive Programme*, written in 1945, Gandhi (n.d., p. 25) writes: “a violent and bloody revolution is a certainty one day unless there is a voluntary abdication of riches and the power that riches give, and a sharing of them for the common good. I adhere to my doctrine of trusteeship in spite of the ridicule that has been poured upon it. It is true that it is difficult to reach. So is nonviolence.”

Within Gandhi’s formulation, there is an emphasis on giving, and on the notion that capitalists ought not to keep more than they need. Secondly, there is also some emphasis on the process of production itself – while Gandhi does not directly address how a business should operate, he does stipulate that there should be a decent minimum living wage, as well as arguing that what is produced should be determined by social necessity. However, while Gandhi agreed that the state had a role to play in ensuring that the wealthy do act as trustees, it is not clear how the state should do so, and whether (and if so, how) the state should also seek to bring about an egalitarian society. In this sense, Gandhi’s trusteeship, as an idea, aspires to be a norm rather than

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63 It is also not clear whether Gandhi would have considered taxation for the purpose of redistribution through some form of welfare state as a violent form of wealth expropriation.
providing a concrete programmatic blueprint for either state or corporate policies, beyond a
general call for balancing nonviolence with the need to ensure that the wealthy behave as trustees
in order to avoid a revolution.

Overall, there is disagreement on whether Gandhi believed in a classless society. Rao argues in
the affirmative, while Rolnick (1962) posits that Gandhi did not believe that class distinctions
could be abolished, nor that he thought that this would be desirable. This tension within
trusteeship is further brought into focus when we consider how Gandhi promoted the concept.
Rolnick (1962) argues that the promotion of trusteeship must above all be seen as a very shrewd
political move by the leaders of the independence movement. She notes that while many of the
movement’s leaders may have been influenced by socialist ideals, they recognized that it would
not be in their interest to alienate propertied classes. Rolnick writes:

> The Independence movement appeared to need an ideology that could meet at least two
important conditions: it had to cater to the views of those who held a stake in Indian
society as it was then structured and who publicly endorsed the traditional social values;
and at the same time it had to reconcile itself in some way to those demands for ‘equality;
and ‘change’ and ‘social revolution’ that were permeating the fabric of Indian society.
(1962, p. 446)

For Gandhi, the mechanism through which trusteeship should be instituted was inherently linked
to democratic government, arguing that free elections and legislation would be required to usher
in a more egalitarian society based on trusteeship (Kapoor, 1993).

While Gandhi, therefore, seems to have suggested that in theory, the state should be able to non-
violently force the wealthy to part with some of their wealth if they do not to do so voluntarily,
he did not support this in practice. This reflects shrewd, practical political thinking (Chakrabarty,
2011; 2015; Rolnick, 1962; Sood and Arora, 2006). It also suggests that trusteeship initially
acted as a framing mechanism: it was a means of convincing the wealthy to more seriously
consider sharing some of their wealth, particularly for causes such as the independence struggle.
While Gandhi may not have held any personal private property (Rao, 1986), he developed a
strong relationship with many of India’s large industrialists, who financially supported the independence struggle. When Gandhi was asked what portion of the Congress budget was covered by rich Indians, he responded that it was nearly all of it (Ishii, 2001).

Rolnick (1962) argues that trusteeship’s critics, mostly Socialists influenced by Marxist thinking, ‘unmasked’ trusteeship by arguing that it was fundamentally incompatible with the egalitarian society that the independence struggle was supposed to bring. Two of the concept’s severest critics were Jawaharlal Nehru and B.R. Ambedkar. Ambedkar argued that business continued to be driven by the selfish profit motive, which he found to be incompatible with the independence cause. Nehru similarly disagreed with trusteeship (Rolnick, 1962; Misra, 1995). He did not think that the concept was particularly original, arguing that it was found in some shape in numerous world religions (Rolnick, 1962), nor did he believe that it went far enough in challenging the inherent problems in the social system (Misra, 1995). Nehru was distrustful that trusteeship could produce the desired consequences. While some wealthy individuals may choose to take on trusteeship and be highly charitable, he argued that it is absurd to build entire theories around them (Rolnick, 1962). Above all, he noted that it was paradoxical for Gandhi to argue that he was supporting the downtrodden, while not questioning the position of those who had historically been, at least partly, responsible for their position (many zamindars (or landowners) had been money lenders in the past and had unjustly taken land away from indebted holders). Socialists, who sought to build mass support for independence amongst the peasantry, argued that trusteeship did not go far enough since it never questioned the underlying economic relations which were responsible for the condition of the poor in the country. However, they recognized that the most important goal was independence, so they limited their criticism of Gandhi, who was central to holding the independence movement together. In the end, as Rolnick (1962) points out, trusteeship was simply a stronger theme for building a national independence movement than talk of a ‘class struggle’.

As a result, the degree to which Gandhi’s trusteeship held the potential to be transformative has been subject to debate. While Rao (1986) sees in trusteeship an alternative path to socialist change, others questioned its transformative potential (Rolnick, 1962; Kapoor, 1993), with Masao Naito arguing that trusteeship was "at best a typical theory of class conciliation" (Naito,
Gandhi’s promotion of trusteeship helped him hold together a multi-class coalition to achieve independence but did not necessarily have the capacity to achieve the type of transformation he envisioned. As a result, certain criticisms of trusteeship centre on the notion that it is at odds with human nature. Kapoor writes that: “the basic assumption of this concept tends one to believe it to be unrealistic. The society that Gandhi assumes is a super human society where man is absolutely free from egoism and economic motives” (1993, p. 70).

However, during this time, several business houses, included those belonging to the TATA, Bajaj, and Birla families, became involved in spreading education, especially elementary education, and the building of healthcare facilities (Chakrabarty, 2011). G.D. Birla, for example, even wrote a book about his relationship with Gandhi, *In the Shadow of the Mahatma*, and took on the role of trustee very seriously. Several Indian industrialists began to engage in the improvement of social welfare, and though many of their efforts were initially targeted at their employees, they tended to serve local communities as well. Kapoor (1993) argues that such individuals, including Jamnalal Bajaj, whose financial support was central to Congress’ initial agitations, remained an exception rather than the rule. More ardent critics such as Acharya Kriplani have argued that: “Gandhi’s friends could never become the Trustees of the people. The capitalists went to him for their own purposes mostly… but Gandhiji could not turn the heart of even one capitalist. They remained what they were…” (cited in Kapoor, 1993, p. 77).

More critical perspectives are also buttressed by the fact that Gandhi tended to side with industrialists rather than labour whenever disagreements arose. Chakrabarty (2015) highlights that Gandhi never visited any Birla factories, despite workers inviting him to come and see the appalling working conditions they faced. Birla had apparently convinced Gandhi that the workers had lied. Thus, there was a tension between the way in which Gandhi conceptualized trusteeship, and how it was promoted given its usefulness in building a coalition to support and fund the independence struggle.

Despite such tensions and contestations, trusteeship as a concept was picked up by a number of India’s industrialists in the post-independence period. Chapter 6 expands on this discussion by
analyzing how support for trusteeship became institutionalized within both state institutions and companies. The subsequent introduction of corporate social responsibility only served to renew interest in the concept.

It is difficult to judge the degree to which this occurred because those supporting trusteeship inherently came to see themselves as trustees, or because they were acting out of more self-interested reasons. Companies needed to maintain a good relationship with Congress in the post-independence period since Congress was enjoying enormous good will, while private capital lacked ideological legitimacy—in India, the profit motive was considered inherently antisocial (Rudolph & Rudolph, 1987; Mathur, 2013). Trusteeship became a useful tool for improving the image of the corporate sector and for granting it greater legitimacy. As the next section argues, trusteeship also came to have ideological utility for Congress as well.

This kind of adherence to trusteeship, however, was admittedly more limited in scope than what Gandhi had envisioned. It primarily took the form of corporate philanthropy, ushering in what Sundar (2013) has referred to as the Golden Age of corporate philanthropy in India. A significant number of India’s industrialists became involved in projects that could be broadly viewed as contributing to socioeconomic development. Some were also social reformers, who supported causes such as improving education for girls (funding for example the first women’s university in India, SNDT University), and maternal and child health (Sundar, 2013).

There appear to have been few experiments that sought to adopt a form of trusteeship closer to what was described by Gandhi. Kapoor (1993) considers several examples. One small scale experiment, begun in 1969, is the Khadi Gramodyog Sangh, an organization that established a link between rural artisans and urban consumers. It is owned and managed by workers and does not operate according to a profit motive. A more significant experiment was Acharya Vinoba Bhave’s Gramdan (gift of village) Movement. As part of this movement, approximately 75% of the landlords in a given village were expected to give 1/20 of their land for redistribution amongst the landless, and were meant to cultivate the remainder on behalf of the village (Kapur, 1993). Vinoba, who was considered a spiritual disciple of Gandhi, also wanted businessmen to take on socially beneficial activities (including contributing to education and other humanitarian
practices) (Sundar, 2013). While the movement lost steam in the 1960s, it nevertheless served to bring attention to the notion that trusteeship was a “safer way of bringing about social transformation without social upheaval” (Sundar, 2013, p. 180). Together with the philanthropic efforts of important Indian industrialists, it also served to entrench the enduring relevance of trusteeship as a concept. As Chapter 6 discusses, when the concept of corporate social responsibility was introduced in India, it became fused with trusteeship.

1.2 The Role of Citizenship in Shaping Notions of Responsibility

It was within this context and under conditions of limited capacity that the Indian state sought to address the question of how social welfare provision would be ensured. While Nehru expressed a rhetorical commitment to socialism, the parameters of citizenship established within the Indian Constitution suggest that socioeconomic rights were not of primary importance. Instead, the focus was on political rights and on helping some previously disadvantaged groups.

Debates surrounding citizenship began even before independence. While efforts to secure civil and political rights were more central in the late colonial period, a concern with social and economic rights began to emerge in the 1930s. The Motilal Nehru Committee Report of 1928, a product of an all-party conference concerned with a future Constitution of India, established a set of Fundamental Rights. These included political rights (e.g., the right to personal liberty), as well as social and economic rights (e.g., the right to education and the right to unionize) (Jayal, 2013). The Report, which would influence the later drafting of the Constitution, also argued that social security (including health and employment) should be provided through Parliamentary statutes.

Drafted immediately after independence, the Constitution recognized the vulnerability of certain groups, particularly various lower castes and religious minorities (Jayal, 2009). Though Ambedkar is known as the father of the Indian Constitution, he did not manage to include a number provisions he desired (Roy, 2014). It took two years to finalize the technical and legal aspects of citizenship, which included provisions for the “cultural rights for religious minorities and of positive discrimination for historically disadvantaged and ‘backward’ caste and tribal groups” (Jayal, 2013, p. 21). As a result, the Constitution sought to provide equal political rights, with Weiner noting that, “the nationalist elite did not promise a classless society, but they did
offer the promise of a casteless society” (Weiner, 2001, p. 195). Through the years, a system of affirmative action programs for the scheduled castes and tribes, including in public employment, education, and representative institutions, has been put into place. This is a success in itself, however the overall effectiveness of these programs continues to be questioned. While affirmative action policies may have led to upward mobility for some, they have not addressed the structural causes of poverty and deprivation (Mutatkar, 2013).

Provisions for social welfare, however, were not directly included in the Constitution. As Jayal notes: “It is… significant that the rights enshrined in the chapter on Fundamental Rights in the Constitution are essentially those concerning liberty. Welfare rights are consigned to the non-justiciable Directive Principles of State Policy, a charter of the state’s good intentions on a number of matters, including socialism” (1999, p. 39).

The Directive Principles of State Policy established the welfare orientation of the Indian state and were meant to work towards the creation of a more just and egalitarian society (Jayal 2009; 2013). Nonetheless, the very language used—principles—meant that this was not an obligation of the state to its citizens (Jayal, 2013). During the drafting of the Constitution, there were enormous debates regarding the Directives. The main point of contention was the practicability of enforcing those principles. While no one openly questioned the value of social and economic rights, there was contestation about whether the state would have the capacity to provide those rights on its own. Indeed, as Chapter 4 established, the Directives limited the state’s promises to what was “within the limits of [the state’s] economic capacity and development” (The Constitution of India, Part IV, Art. 41). By the end, Jayal notes: “it was accepted—with a sense of satisfaction by some and resignation by others—that since these rights were not obligatory, they were unlikely to be implemented” (2013, p. 158).

64 Despite this, in India caste has certainly not disappeared, and the relationship between caste and class is both close and complicated. In 1992, a Supreme Court judgement held that “caste can be and quite often is a class in India”, and if a caste is socially backward, then it is very likely to be a backward class (Jayal, 2006, p. 65).

65 The Directives remain rhetorically important even today—civil society actors seeking to push the state to take its social welfare provision role more seriously, for example, have often referenced the Directives, arguing that the state has a constitutional responsibility to meet them (Mutatkar, 2013).
Social welfare was therefore conceptualized as a matter of state largesse and was not prioritized by the state. It was at this time that trusteeship’s previous detractors, including Nehru, began to accept and even champion the concept (Rolnick, 1962). Nehru began to argue that while the class struggle is always there, trusteeship and Gandhi’s approach can somehow remove it (Rolnick, 1962). One of the primary explanations, according to Rolnick (1962), rested in the fact that the propertied classes and industrialists formed a base of support for the Congress Party. However, even other prominent Socialists also began to accept the concept, with Marxist-oriented theoreticians of one Socialist party arguing that problems with trusteeship stemmed not from the concept itself, but from how it had been interpreted. Rolnick notes several central reasons behind their support. First, the financial skills and administrative support of more propertied classes were important for achieving economic growth. Second, government representatives recognized that the state can only deal with one problem at a time, with Rolnick arguing that “[t]o encourage class struggle within the country, to raise expectations of the most depressed classes before these expectations can be met, is, to these Congressmen, an invitation to anarchy” (1962, p. 458). Finally, she notes that the usefulness of the concept also lay in the fact that it could be more easily reconciled with more traditional values and concepts of society. The emphasis on philanthropy at the root of trusteeship represented a less radically altering approach to fighting inequality and poverty than other forms of redistribution.

In sum, within a context in which the goal of industrializing the economy was chosen as being a necessary step before possible redistribution, trusteeship continued to play an important ideological role. In Nehru’s last message to FICCI (the Federation of Indian Chambers of Commerce and Industry) in 1964, he asked the business community to consider the larger good of India, and to work towards promoting it (Sundar, 2013). Trusteeship therefore remained relevant even after Gandhi’s death, driving increased corporate philanthropy, and slowly strengthening into a norm.
In the next chapter, I explore in greater detail how trusteeship was accepted by India’s indigenous industrial class (i.e., how it was institutionalized), and how it fed into present conceptualizations of CSR once the concept was introduced from abroad. The primary takeaway from the discussion here is that the norm that responsibility for contributing to the socioeconomic development of the country should be shared between the state and the private sector began to take hold decades before CSR appeared in India. Socioeconomic rights were not guaranteed by the Constitution and were not prioritized by the state. Rather, as Jayal (1999) notes, social welfare was a matter of state largesse. However, it was also a matter of corporate largesse—by choosing to endorse trusteeship in the post-independence period as a means of somehow removing the class struggle, Nehru and the Congress leadership were, even if indirectly, supporting the involvement of corporate actors in socioeconomic development.

1.3 The Movement from Political to Socioeconomic Rights and the Evolution of Trusteeship

During much of the post-independence period, and particularly during the rule of Indira Gandhi, the state sought to maintain primacy over both capital and society more widely. It controlled capital by instituting numerous regulations and measures, including the nationalization of insurance companies and private sector banks (Sundar, 2013). Policies such as industrial licensing, which had been introduced in the early 1950s and were meant to be sparingly used, were increasingly adopted following the 1967 election. Creating what is often referred to as the ‘permit-license raj’, these policies further concentrated economic power within several large industrial houses, while also decelerating growth more broadly. This approach also contributed to the creation of sectoral business associations, and generally speaking, business faced a number of collective action problems (Sinha, 2005).

Indian state policies also had the effect of fragmenting labour. A rise in class politics, similar to ones that helped push for greater welfare expansion in some contexts of the Global North, never took place. Writing in the late 1980s, Rudolph and Rudolph argue:

The two economic forces that might support class politics—organized workers and private financial and industrial capital—are politically marginal… Capital and labour face a third actor, the state, whose dominance of capital and employment in the organized
sector dwarfs their influence in the conduct of policy, politics, and market relationships. To varying degrees and in different times and arenas, the third actor has served public interest or socialist objectives, the interests of private capital, and its own partisan, patronage, and resource interests. In the early 1970s, the third actor came increasingly to serve itself. (Rudolph & Rudolph, 1987, p. 2)

But the Rudolphs argue that problems of weak state capacity in practice meant that despite the state’s central position, India remained a ‘weak-strong’ state (Rudolph and Rudolph, 1987, p. 1).

Despite the fact that the nature of the state’s involvement in the economy had the effect of containing private business operations, by the 1970s, there was a renewed corporate interest in social concerns but in a new form: as corporate philanthropy rather than family business philanthropy (Sood & Arora, 2006). This is despite the fact that the tax burden increased, which Sundar (2013) argues created disincentives for charitable giving.

Several explanations can be offered for this increase in corporate engagement. First, several commissions in the late 1960s and early 1970s brought to light malpractice in the corporate sector, including the existence of trusts and foundations created to dodge taxes. This triggered a response from business leaders such as J.R.D. Tata, who according to Sundar (2013) quickly realized that more ethical and socially responsible behaviour and increased participation in the nation-building effort were required for the very survival of private business in India. Together with business leaders such as Arvind Mafatlal, J.R.D. Tata argued that companies needed to help local communities. In one of his speeches, he stated:

In every village… there is always need for improvement… I suggest that the most significant contribution organized industry can make is by identifying itself with the life and the problems of the people of the community to which it belongs and also by applying its resources, skills, and talents to the extent that it can reasonably spare them, to serve and help them. (Tata, 1986, cited in Sundar, 2013, p. 185)
Jayaprakash Narayan, a socialist political leader, also joined forces with several research institutes to organize meetings on the social responsibilities of business. The results were two seminars in 1965 and 1966, which brought together both domestic and international participants and received a great deal of attention, with the opening address being given by then-PM Lal Bahadur Shastri (Sood & Arora, 2006). This led to a declaration that: “the social responsibility of an enterprise is a responsibility to itself, its customers, workers, shareholders and community,” thereby expanding the concept of “charitable giving for community affairs… to the idea that business must be profitable, humane, efficient and dynamic” (Sood & Arora, 2006, p. 10).

By 1977, the state also instituted a series of tax concessions for companies contributing to rural development. These were subsequently withdrawn in 1983-4, but Sundar notes that a number of companies continued with their programs despite the change.

Overall, during the period of the 1960s-1980s, which roughly coincides with the rule of Indira Gandhi, even though the state sought to control business to a greater degree, Sundar concludes that:

[S]lowly it began to be accepted, at least in theory, that business had to be more ethical and socially responsible in its behaviour and also share a part of the social overhead costs of economic development if it wished to share in its fruits. It is to be noted that the beginnings of CSR as we know it today originated in India much before the current interest in CSR and were a response to the circumstances of the times, and the result of the compulsions of both the Indian business class and the government. (2013, p. 193)

This period also marked a shift: away from a narrower corporate concern with building institutions such as schools and colleges to a concern with community welfare. Given that one of the drivers of this shift was the malpractice of companies in the first place, this change was as much about protecting business autonomy and interests and restoring the power and prestige of business in order to better resist government control, as it was about ethical concerns (Sundar, 1999). During this time, therefore, trusteeship became increasingly accepted in India, creating a more fertile ground for the reception of ideas regarding CSR, which began to gain more
prominence internationally in the 1990s and early 2000s. This increasing acceptance suggests that trusteeship was becoming more of a norm. Nevertheless, the self-interest of companies continued to play a central role in promoting their involvement in socioeconomic development.

As the next chapter explores, by the 1980s, there was also a larger government pro-business tilt, which began in the last years of Indira Gandhi’s rule (Kohli, 2012). This shift has also included a strengthening of business associations, many of which have come to support CSR (in part because of the existing importance of trusteeship). Thus, while business may have been a weaker and more fragmented actor vis-à-vis the state well into the 1980s, this has begun to change in recent decades. Growing profitability has also had an impact on company CSR commitments. Since the 1990s, corporate investment in community development has increased, and according to Sood and Arora, the “growing profitability of many corporations increased their willingness and ability to give; this coincided with a surge in the public’s and government’s expectations of business” (2006, p. 11). The increasing presence of civil society actors, placing pressure on businesses to take on more socially active roles, also spurred corporate involvement in education and poverty alleviation.

The calls for rights-based development largely coincided with CSR gaining ground in India and intertwining with the existing norm of trusteeship. While the previous Chapter began to consider this shift towards rights, here I consider whether (and if so how) this shift influenced norms of responsibility for social welfare provision. The demands made on the Indian state, particularly with respect to socioeconomic rights, have increased. As the state’s fiscal capacity has grown, so has state spending. While much of this expansion occurred under the first UPA government, within which Congress was in coalition with leftist parties, they were expanded even further after those leftist parties left the coalition (Kapur and Nangia, 2015). The programs have also continued under the current BJP-led government (though the BJP has been accused of killing NREGA with neglect). This increased spending cannot therefore be explained with simple reference to the ideological leanings of particular political actors in India.

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66 There has been some pressure from below pushing the state to improve its systems of social welfare provision, and there have been some efforts to institutionally include those voices. For instance, the first UPA government created a National Advisory Council, through which it could
A more convincing explanation lies in the growing shift towards a rights-based approach to social welfare provision (Mutatkar, 2013). There is a slow move away from the state treating the delivery of collectively desirable goods as a matter of state largesse, to the notion that the state has a responsibility for social welfare provision. The democratic deepening that has taken place in recent decades, which has seen more Indians belonging to backward classes assert their voice, has contributed to a shift away from a language of charity, to the language of rights. The citizen is increasingly seen as a rights-bearing agent (Jayal, 2013). This is apparent in the rise of rights-based legislation, including NREGA.

However, Jayal concludes that: “the acceptance of social rights could be read as indicative of the failure of the state-capital alliance to contain the discontent of poverty or manage the social externalities of capitalism better” (2013, pp. 192-3). She therefore argues that this shift does not in fact represent a significant change in previous practices. For instance, targeting in social welfare programs continues to be the norm, meaning that much still relies on the state’s decision of who should or should not be included. In other words, it is not clear that this rights-based movement has had as significant an impact on the overall approach to social welfare policies as might at first appear, given the rise of new legislation and increased spending. The relevant question is whether the introduction of rights-based ideas has allowed for a significant departure from the notion that responsibility for social welfare provision should be shared between state and non-state actors.

In particular, the question of whether people themselves have changing expectations of the state remains (i.e., to what degree is a rights-based approach being embraced by those making claims on the state). In her research on workers in the informal sector, Rina Agarwala (2006) argues that workers are increasingly appealing to state responsibilities to them as citizens rather than as workers. Focusing on social protection schemes such as pensions and health benefits, she notes network with civil society at the policy level (Mathur, 2013; Goswami & Tandon, 2013). However, the Council has since been disbanded.

67 In practice, this usually means relying on measures of below/above the poverty line, which in the Indian case have historically resulted in very large exclusion errors (Mutatkar, 2013).
that in post-independence India, formal workers turned to employers to hold them responsible for such benefits. In recent decades, informal workers have begun to rely on informal sector labour organizations, which then make claims on the state. This suggests that the idea that the state has a responsibility for social welfare provision may be strengthening. However, sometimes communities (and not just workers) also make claims on companies, particularly when those companies engage in CSR programs in their area. This is especially the case when the companies in question are public. According to a CSR manager of a major public energy company:

The way we deliver service, because we are a government company, communities sometimes are confused between CSR and the government. They say that is the government’s duty. They cannot sometimes differentiate between the corporate and the government. (Interview INA13)

However, private companies have also noted that they face such demands. According to the head of CSR at a major car manufacturing company, “there will always be a demand from communities” (Interview INA19). He also notes that such requests can come not just from the communities where they are located, but also from nearby villages. This requires that companies have strict guidelines about who is included.

The legislation of CSR spending is expected to increase such demands since it can give communities greater leeway in negotiations with companies (anecdotal evidence suggests that in some cases, this is also triggering the state to pull out from regions where these companies are operating). This suggests that while the notion that the state has responsibility for social welfare provision may be strengthening, it does not mean that expectations placed on business have decreased. In fact, the state’s legislation of CSR spending signals that the state itself may be challenging the strengthening of expectations placed on the state.

This is consistent with Jayal’s conclusion that, at the same time as the nation has acknowledged that it can afford to help the poor, “the responsibility for social assistance has already been transferred and diffused among a multiplicity of agencies, not all of which are a part of the state” (2013, p. 176). She argues that this has been accompanied by the adoption of a vocabulary of
‘customers’, ‘clients’, and ‘users’, rather than citizens. The debates surrounding the recent legislation of CSR are reflective of this trend.

When the CSR clause was discussed in Parliament, Sachin Pilot, the Minister of Corporate Affairs, introduced the CSR provisions in the following way:

Sir, growth is important for the country and to my mind growth should be long term, sustainable, equitable but more importantly, growth should also be responsible. Therefore, the responsibility of taking this country forward certainly lies with the Government of the day and the State Governments but increasingly I think the corporate entities of this country, the private players, the enterprises, the entrepreneurs also have an increasingly larger role to share in making this country a prosperous, functional forward-looking nation. (Discussion on the motion for consideration of the Companies Bill, 2011, 2012)

Pilot further emphasized that the CSR provision should contribute to reducing inequality in the country, highlighting the role that corporate actors can play in contributing to social development. Another member of the Lok Sabha noted: “Business, undoubtedly, has a responsibility for wealth creation, but it has also responsibilities for social problems created by business or by other causes, beyond its economic and legal responsibilities. Corporate activities should be such as to cause less harm and more beneficial outcomes for society and people. When society gives licence to business to operate, it is only fitting that business serves society too, apart from creating wealth” (Discussion on the motion for consideration of the Companies Bill, 2011, 2012).

This was reflected in my interviews in India—while state actors did not go so far as stating that the state is abdicating its responsibility for social welfare provision, they suggested that the burden is shifting. One government representative (who had previously worked for the Ministry of Corporate Affairs), argued that: the “responsibility of the state, the welfare burden has slightly
been shifted, [to support] the use of profits for society too” (Interview INB24). Amongst companies there is also fairly widespread acceptance of this argument. As one CSR manager noted: “every company is responsible for [the] wellbeing of neighbouring communities. This becomes a strategic initiative for any company, since they are most impacted by your work” (Interview INA19).

This discussion suggests that the strengthening of the notion that responsibility for social welfare provision should be shared between state and corporate actors helps to explain the inclusion of the CSR clause within Companies Act 2013. Other explanations, however, centre more strongly on the political context within which the Act was passed.

Some critics of the legislation, for example, argue that the legislation is best interpreted as an electoral ploy. As was already noted, many Indians have historically tended to distrust private business, with the profit motive being viewed as antisocial. The period leading to liberalization in 1991 was characterized by a high degree of dissatisfaction with corruption, and the inefficiencies of the Licence Raj. Liberalization was meant to alleviate those problems, particularly by enabling a higher degree of competition. Nonetheless, numerous corruption scandals in the late 1990s and early 2000s served to reaffirm the notion that businesses were not behaving ethically. Given that corruption scandals involving the government also emerged leading up to the 2014 election (partly as a result of the passage of the Right to Information Act in 2005), many of my informants argue that the Congress government needed to show India’s electorate that it was doing something to rein in the excesses of corporations (Interview INA1; Interview INB25).

Since there was a high degree of support for the CSR provision from various political parties, it is difficult to judge the degree to which this may be the case. According to a CSR advisor at one

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68 A CSR manager in one of India’s major banks presented this from a slightly different perspective, linking the state’s policies to the growing prominence of corporate versus public careers. He noted: “state governments do not have capacity to bring expertise into the field, and make sure the impact is good. No one wants to join government today, experts want to join private companies. So maybe the government has decided to also say industry should also take some of this responsibility” (Interview INA9).
of India’s leading business associations, “when the bill was debated in Parliament, each one of the parties without fail, supported it 100%” (Interview INA). What does seem clear, given the overwhelming sweep of the BJP in 2014, is that despite its high degree of publicity, the CSR provision did not do much to boost the chances of the incumbent Congress coalition.

This suggests that while the legacies of trusteeship continue to resonate in India, so do some of its contradictions. The promotion of the notion that business has a responsibility to contribute to socioeconomic development continues to play an important political role for both state and corporate actors. As Chapter 6 discusses in greater detail, the CSR provisions of the Companies Act 2013 encourage companies to contribute to community development by running CSR projects.

The broader behaviour of companies is less scrutinized, leading to concerns that companies can receive a stamp of legitimacy as good corporate citizens if they engage in community development, even if their broader operations are detrimental. This mirrors the tension in which trusteeship was promoted by Gandhi – as long industrialists continued to finance the independence struggle, Gandhi supported them, even in instances where they clashed with their own workers.

Viewing the CSR legislation within the broader developmental priorities of the Indian state is also reminiscent of the post-independence period, when Nehru became a reluctant supporter of trusteeship in part as a way to justify the fact that the state was primarily investing its resources into economic development. In recent years, and particularly since the BJP came to power, the primary emphasis of the Indian state has been to support economic growth. This was one of the BJP’s primary campaign promises and has been central to the government’s policies, including its promotion of the Make in India campaign, which seeks to encourage both domestic and international companies to manufacture their goods in India.

As one government representative noted, this is meant to represent a shift away from the state’s role in the economy, though the focus remains on development. He stated:
So far, we have believed that government is responsible for development. Now, we are allowing more private enterprise to enter this picture. They need to provide opportunities for people, and you need rule of law. This is... about creating an enabling environment for business. The government needs to create institutions, to help business, which will then create jobs. (Interview INB24)

As in the post-independence period, rhetorically shifting some of the responsibility for social welfare provision onto corporate actors allows the state to focus its energies elsewhere, and in particular, towards promoting economic development. One difference, however, is that while in the post-independence period the state pursued a more state-led economic path, today the state’s behaviour is more market-oriented and pro-business, even as it legislates certain responsibilities (i.e., CSR spending) for corporate actors.

The types of projects that companies are expected to develop are meant to achieve one of a variety of goals, the majority of which are developmental and are drawn almost directly from the Millennium Development Goals.

This discussion demonstrates that the intertwining of rights-based development ideas and CSR (as a continuation of the norm of trusteeship), has served to increase demands placed on both state and corporate actors. However, it has not significantly questioned the norm that responsibility should be shared between them. If anything, through Companies Act 2013, the Indian state has further sought to institutionalize that norm, and to create a rough blueprint for company involvement.69

2 Brazil: Corporatism and Graduated Citizenship

While trusteeship, intertwined with an emphasis on civil and political rights over socioeconomic ones, was central to shaping notions of responsibility in India, in the case of Brazil corporatism

69 These trends, however, should not be confused with the question of the ultimate outcomes that are likely to result from corporate involvement. For example, as one commentator noted, we cannot discount the possibility that state actors will simply use the provisions of the Act to strong-arm companies into funding their pet projects.
and an evolving system of citizenship (from more limited regulated citizenship, to a broader more universal form) have shaped expectations that people place on state and non-state actors to deliver collectively desirable goods. The state is seen as holding the primary responsibility for social welfare provision, even if its ability to fulfill this role has at times been limited.

The Brazilian state has historically sought to play a central role in the economy, and to guide business in accordance with its priorities. This was further entrenched during Vargas’ rule, when corporatist structures were put into place in the 1930s. Social welfare institutions were then established within these corporatist parameters, as was the role intended for corporate actors, meaning that the state dictated how business should contribute to social welfare.

The corporatist structures established also served to group Brazilians into what were essentially different classes of citizens. However, corporatist ideas and ideas regarding citizenship also intertwined with ideas held by European migrants about the state’s responsibility to look after the welfare of its citizenry. The result was the emergence of a growing norm of state responsibility for social welfare provision, which was limited to certain sectors of the population. As this discussion will show, business still had a role to play within these arrangements, but its engagement was more strictly controlled by the state.

The push for democratization was accompanied by two ideational trends relevant for this analysis: one, a move towards a more universal conception of citizenship, which was in turn tied to calls for broader social welfare provision; and two, the introduction of CSR as a means of at least partially reconceptualizing the business-state relationship. The movement towards a more universal conception of citizenship reflected a strong rights-based focus, with the Brazilian Constitution of 1988 guaranteeing a number of positive rights. Promoted by social movements, rights-based approaches helped to bring about policies such as Bolsa Família. CSR, on the other hand, was introduced and pushed forward by a small business elite. Overall, I argue that the norm that the state has primary responsibility for social welfare provision has continued to strengthen, but it has now been expanded to include the citizenry more broadly, rather than focusing on certain sectors of the population.
Recent political events in Brazil, including the rise of current President Jair Bolsonaro, suggest that that this expansion is contested. This contestation is encapsulated in the attitudes of some Brazilians towards programs such as Bolsa Família, which is viewed negatively by many members of Brazil’s middle and upper classes. While ascertaining the precise reasons for these attitudes would require further study, some of my interviewees suggested that the program’s very success is partly responsible for the recent waves of criticism against BFP. By helping to elevate sections of Brazilian society out of poverty, the program is reducing inequality, which is in turn changing societal dynamics. As expressed by one senior CSR practitioner:

I think the problem is about power, in terms that, when people have Bolsa Família, and start to have access to water and energy, they start to go and to use public space and demand rights in a way that they never did… I think this is what irritates people so much. (Interview BRB9)

As a result, while the policies promoted by the PT sought to broaden the state’s commitment to positive rights suggesting a further strengthening of the norm that the state has a responsibility for social welfare provision, these policies have not gone uncontested.

2.1 Corporatism and the Rising Role of the State as Guide in both the Economy and in Social Welfare Provision

The relationship between the state, economy and society in Brazil needs to be considered in order to understand the roots of social welfare provision. Throughout Brazilian history, the state has played an important role in the economy, though its ability to do so effectively has often been the subject of debate. Kohli (2004), who traces the state’s role back to the arrival of the Portuguese, notes that the state apparatus during colonialism remained rudimentary, and its leaders reported directly to Lisbon, having limited control over much of the country. Echoing Kohli, Fausto (1999) adopts a regional explanation, arguing that while the state was more present in the coastal cities, in the cattle-raising regions of the northeast private groups largely took over the role of the state. Following independence from Portugal, state power continued to be circumscribed with limited national purpose (Kohli, 2004). Changes began to emerge in the second half of the 19th century with the rise of the coffee economy in Sao Paulo.
For much of that century, the coffee economy was the main source of employment and growth, and coffee was the country’s main export (Font, 2010). This is exemplified in a popular slogan: “Brazil is coffee” (Topik, 1987). Overall, Brazil remained primarily an agricultural economy until 1930. It was also a heavily indebted economy, and by 1928, it had the most foreign debt in Latin America (44% of the continent’s total) (Fausto, 1999, p. 177), and remained highly dependent on external capital, technology and entrepreneurship (more than half of the companies started during this period were founded by foreigners) (Kohli, 2004). Topik (1987) argues that the growth of the export economy was the cause for the eventual greater involvement of the state in economic activity. He also argues that the state was more centralized than is often acknowledged, noting that no particular economic groups, including the coffee planters, “commanded the state with impunity” (Topik, 1987, p. 162). Nonetheless, once the state began to intervene in the economy, its activities served to help elites not the masses (Kohli, 2004). The state’s involvement included efforts to influence industrialization in both direct and indirect ways, providing a background for industrialization, which sped up during WWI (Topik, 1987).

The expectations that citizens placed on the state increased with growing state power. While most analyses of social welfare provision in Brazil date its beginning to Vargas in the 1930s, the strengthening of the notion that the Brazilian state has a responsibility to provide certain collectively desirable goods emerged earlier (Interview BRB4). A normative shift began during the late 19th century when the Brazilian economy moved from focusing on sugar to coffee.

The sugar economy was central to colonial Brazil and grew steadily in the late sixteenth and seventeenth centuries (Kohli, 2004), centred primarily in the northeast of the country. Slavery was at the root of the colonial economic system, but increasing pressures from Britain forced Brazil to officially end slavery in 1888 (Skidmore, 2010).70 By this point, the centre of the Brazilian economy had moved away from the slave-based sugar economy of the northeast, to the

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70 Brazil entered into a costly war with Paraguay between 1865 and 1870, which strengthened the military, while also making Brazil further indebted to Britain (Fausto, 1999). This made Brazil more responsive to British pressure to end slavery.
coffee economy of the South, creating increasing labour demands in Southern regions. However, the Brazilian elites of the time were also concerned about the racial make-up of the country – its non-white population far exceeded that of countries such as the United States (Skidmore, 2010). Brazilians, Skidmore notes (2010, p. 83), became “institutionally more race conscious” and the mobility of non-white Brazilians began to decline.

There was consequently an effort to promote European immigration, but Brazil faced competition from other potential destinations, including the United States and Argentina which paid higher wages. In response, Brazil sought to incentivize migrants by paying their transatlantic passage (Klein, 1991; Fausto, 1999; Kohli, 2004). However, while planters and export merchants were interested in rural workers from any country (for example, Chinese labourers were brought to Rio de Janeiro in the 1850s to replace slaves), “the central government preferred to sell public lands to European peasants and small farmers in order to ‘civilize’ and ‘whiten’ the country” (Alencastro, 2016, pp. 363-4).

Many of the Europeans arriving in Brazil were negatively surprised by the hardships that they were exposed to on the coffee plantations, with their condition becoming the topic of critique by diplomats and the press (Alencastro, 2016). According to one of my informants: “the immigrants who were arriving in Brazil were shocked by the conditions of the rural landscape, which was [shaped by] the conditions of 300 years of slavery. The work on farms was mixed with slavery until 1888, [and] so they were exploited as slaves. So you had European consulates pressing Brazil to have an improvement of social life” (Interview BRB4). Fausto comes to the same conclusion: “Brazilians tended to regard workers as little more than slaves. This situation is borne out by the huge number of returnees, by the complaints to the consuls, and by the measures taken by the Italian government” (1999, p. 169). Fausto is referring to the Prinetti Decree of 1902, through which Italy outlawed the subsidization of passage to Brazil, given that the conditions to which many Italians arrived were very poor. During this time, Italy was one of the major sources of European migration to Brazil, but the working conditions triggered many new migrants to ultimately return to Italy.
This coincided with the early rise of social insurance schemes in Italy, which began to legislate policies such as work injury insurance in 1898, and established old age, unemployment and invalidity insurance in 1919 (well ahead of other states in Southern Europe, including Portugal) (Ferrera, 2010). As a result, both the absolutely dire working conditions to which Italians were arriving, as well as the fact that worker insurance was receiving increasing attention in their home country, meant that the social policies of the Brazilian state and worker protections came to the fore more than they had in the past.

These developments precipitated two types of responses. On the one hand, they triggered a rise in what could be classified as philanthropy. Since Europeans arriving in Brazil found that they lived in towns without proper health and education facilities, they began to create their own voluntary associations, some of which were funded by wealthy industrial families belonging to those communities. According to Alencastro (2016), funding sometimes also came from the home governments of those communities. This included mutual aid societies, hospitals, libraries and literary societies (Klein, 1991). Writing about Italian immigrants to Sao Paulo, Font notes that: “Italian immigrants pioneered in the proliferation of mutual aid societies and clubs. Such associations were at least as oriented to the promotion of incorporation and welfare as to any other major goal” (2010, p. 145).

On the other hand, these developments also created pressures on the Brazilian state itself (Interview BRB4), precipitating a growing awareness that the state had a responsibility to address social welfare. The complaints made by European consulates, and the fact that some European immigrants chose to return home, reflected poorly on the government’s existing policies, and threatened to derail its efforts to Europeanize its workforce. Brazil’s status as a settler society therefore had implications for how ideas about who is responsible for social welfare provision became established.

The first efforts to address social welfare began during the First Republic and included the Eloy Chaves Law, passed in 1923, which provided benefits for railway workers. However, the

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71 Developments in Italy were followed by similar policy trends in other Southern European countries, including Portugal (Ferrera, 2010).
benefits provided were funded by contributions from employees, their employers, and railways users, and were not financed by the state (Santos, 2013). Nonetheless, there was a slow strengthening of the notion that the state has a responsibility for social welfare provision, which continued to grow once Getulio Vargas came to power in 1930. These ideas, which were not necessarily well formulated, were influenced by developments in Italy and Portugal. The expansion of social welfare provision was ultimately pursued within a corporatist framework ushered in with the *Estado Novo*.

As the previous chapter discussed, as a conservative state builder, Vargas wanted both industrial and social progress. To that end, he implemented a corporatist system characterized by strong state control (Power & Doctor, 2004). Once again, ideas dominant in Southern Europe (particularly in Italy, and on the Iberian Peninsula, where Portugal also instituted a corporatist dictatorship), directly influenced policies in Brazil. Corporatist ideas were more programmatic in nature, setting out how business and the state ought to interact. In both Italy and Portugal, a dualist system of social protections was established which provided strong protections for those working in core economic sectors, while allowing more flexibility (i.e., lack of protections) within other sectors of the economy (Ferrera, 2010).

In terms of the economy, though initially adopting a more free-trade policy, by the late 1930s Vargas turned protectionist and began to increase state ownership in vital industries (Musacchio & Lazzarini, 2014). Overall, under Vargas, the Brazilian state became what Musacchio and Lazzarini (2014) refer to as a ‘Leviathan as an entrepreneur’, meaning that the state ventured into a variety of new sectors and established major enterprises.  

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72 During the First Republic, politics was organized around a division of power between some of the country’s most important states. A failure of this system in the late 1920s, as well as a series of unsuccessful military revolts, helped spur the decomposition of the Republic and provide an opening for Vargas to take power (Hentschke, 2006). By the 1930s, Vargas had assumed all legislative and executive power and limited the autonomy of states.

73 Musacchio and Lazzarini (2014) propose an alternative formulation of what we traditionally refer to as state capitalism. They argue that there are numerous forms of state capitalism, including: ‘Leviathan as entrepreneur’, meaning that the state assumes full state control and ownership of SOEs; ‘Leviathan as majority investor’, cases in which the state partially privatizes firms but maintains majority state control; and ‘Leviathan as minority investor’, instances of
The country’s corporatist arrangements allowed for a dual structure within the business sector: Vargas established a system of consultation with the business community according to different sectors, while at the same time, certain independently-funded associations were allowed to function in a more pluralist mode (Power & Doctor, 2004). The former, however, tended to undermine the coherence and unity of business as a whole. Nevertheless, by the 1930s, Vargas had strong support from a significant portion of the business community. Brazil’s industrialists chose to align themselves with Vargas in a national-developmentalist pact to promote an industrial rather than an agro-export economy (Diniz, 2011). Brazil, having limited domestic capital and resources, continued to rely heavily on foreign investment, despite the state’s efforts to encourage domestic industrialization (Kohli, 2004). Moreover the emphasis on external linkages that had helped fuel efforts to bring European migrants into Brazil in previous decades continued, with Kohli arguing that: “[t]his too was a product of the nature of the state that was ruled by a settler elite, who shared more with their counterparts in Europe and the United States than with the former slaves and others they governed” (Kohli, 2004, p. 166).

The state controlled labor to a much greater degree than was the case with the business sector. This relationship was institutionalized through a set of laws known as the *Consolidação das Leis do Trabalho* (Consolidation of Labor Laws, CLT), which guaranteed benefits and the right to unionize, while simultaneously giving the state control over labor unions (Dinius, 2006; Mayer, 2016). The CLT divided workers into occupational categories (different state-controlled unions corresponded to different categories), therefore ensuring the fragmentation of labor (Power & Doctor, 2004).

In the case of labor, the state did not allow the dual structure that existed with business, and generally excluded labor from policy making. While including pro-worker provisions for workers in the formal sector, including unemployment insurance and a minimum wage, “between 1943 and 1985 Brazilian labor relations were mostly characterized by a lack of implementation and selective interpretation of these pro-worker provisions by state authorities”

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partial privatization with minority state control (here, firms receive loans from state-owned development banks, or are recepients of investments from state-controlled wealth funds).
While Vargas sought to represent himself as a champion of workers, he did not alter the division of power between business and labor (Cardoso & Faletto, 1979).

Systems of social welfare provision emerged within this framework - legislation passed between 1930 and 1943 was largely concerned with retirement and pension institutes, while labour laws were consolidated in 1943 (Draibe, Castro, & Azeredo, 1995). Reflecting similar trends in Italy and Portugal, under Brazilian corporatism, some benefits were channeled to the working class while the right to politically organize was withheld. Social protection was not universally extended, with some 12% of the labour force receiving benefits between the 1940s and the 1960s (Santos, 2013). Those outside of the formal labour force were left out entirely.

The previous chapter noted that limited state capacity contributed to the state’s emphasis on providing protections to only certain sectors of the population. Yet state capacity is not sufficient to explain this trend. In the case of India, it was shown that at independence, while civil and political rights were extended to all citizens, socioeconomic rights were withheld. In the case of Brazil, the socioeconomic rights of certain sectors of the population were recognized, while broader rights were not in effect granted to larger sectors of society. As a result, two sets of ideas imported from Europe, corporatism (which influenced the organization of the Brazilian state under Vargas), and ideas regarding the state’s responsibility for delivering collectively desirable goods (which were brought more directly by immigrants who went on to make demands on the state), helped to contribute to a form of statism—a strengthening of the notion that the state should organize the delivery of social welfare. Nonetheless, the degree to which this notion was accepted by all Brazilians should not be overstated. Kohli (2004) notes that the state under Vargas never penetrated and incorporated the vast periphery.

Corporatist institutions also provided a space for companies to contribute to social development through the operation of the s-system. The s-system was established during the 1940s and includes educational institutions and community centres that were set up for individual industries, and through the cooperation of government, industrial associations, and (government-approved) labour unions. They were designed to correspond to different segments of industrial production, and were funded by contributions from employees, companies and the government.
As a result, companies were expected to contribute to the socioeconomic well-being of employees within their industries, however within parameters established by the state.

While there is some history of linking businesses and social responsibility prior to the late twentieth century, there was nothing comparable to Gandhi’s concept of trusteeship. Brazil is primarily a Catholic country, and religious teachings and views on philanthropy have influenced a number of business organizations in the past. The first group to introduce the notion of social consciousness to business was the Associação de Dirigentes Cristão de Empresas do Brasil (ADCE-Brasil), a branch of the International Christian Union of Business Executives (Cappellin & Giuliani, 2004). The ADCE-Brasil was founded in 1961, and it began to promote debate on the social responsibilities of business, leading to the publication of the *Decálogo do Empresario*, which proposed an explicit link between management and social responsibility. The ADCE went on to develop a national network that sought to promote new instruments for promoting the Catholic tradition of charity. However, this was more limited in both scope and importance in comparison to trusteeship. The move towards CSR largely began during the democratization process and is discussed in detail in the next chapter.  

### 2.2 Regulated Citizenship within a Corporatist Framework

Inherently tied to systems of social welfare provision are ideas regarding whom the state owes responsibilities to: in other words, who counts as a citizen? Brazil’s history as a slave-owning society has important implications here—as Fausto (1999) points out, Brazilians largely viewed slaves as ‘things’ not people. While all colonists were categorized in a hierarchy with Portuguese newcomers at the top, African slaves were at the very bottom. This colonial history contributed to a strong linkage between social inequalities and citizenship, with the social rights of citizenship being articulated within social welfare policies (Mally and Parodi, 1993). In Brazil, there is a historical linkage between poverty and exclusion, and citizenship. Speaking about citizenship, Dagnino argues: “to be poor means not only to experience economic or material

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74 More prominent CSR networks and institutions, including Pensamento Nacional das Bases Empresariais (PNBE), an association of entrepreneurs, and the Grupo de Institutos, Fundações e Empresas (GIFE), date back to 1987 and 1995 respectively (Sanchez-Rodriguez, 2014).
deprivation, but also to submit to cultural rules that convey a complete lack of recognition of poor people as subjects, bearers of rights” (2007, p. 551).

Historically, citizenship in Brazil has been circumscribed. Baiocchi, Heller and Silva argue that the idea of a right-bearing citizen does not have much historical currency. An “overview of Brazilian history reveals instead the preeminence of a recurring set of ideas about graduated rights and entitlements with roots in the colonial and slaveholding legacies and manifested in the modern period through Brazilian notions of corporatism” (Baiocchi, Heller, & Silva, 2011, p. 40). They argue that the landed oligarchy, which played such a large role in organizing life in the country well into the First Republic, was characterized by decentralized despotism and social authoritarianism through which social relations in both public and private realms were hierarchically organized according to class, race and gender.

While the First Republic promised wider citizenship, its political citizenship was limited to those who are literate, and the Republic never provided wider civil, social or political rights (Baiocchi, Heller, & Silva, 2011). This emphasis was further solidified under Vargas, who famously referred to himself as the father of the poor but who sought to create a modern version of this form of citizenship. Vargas’ rule exhibited the pre-eminence of essentially programmatic ideas about how citizens should be organized. Under Vargas, Baiocchi et al. note: “Political and social rights were distributed on a graduated basis tied to a hierarchy of professions. Those who did not belong to state-sanctioned (regulated) professions became a type of precitizen, and the rights of the citizen became the rights of the profession…. Santos has famously described this as ‘regulated citizenship’, which is defined not by ‘a code of political values, but in a system of social stratification’ (1979, 94)” (2011, p. 41). In other words, regulated citizenship and corporatism went hand in hand.

In her analysis of the history of citizenship in Brazil, Dagnino (2005) concludes that this conceptualization of citizenship intertwined the recognition of social rights and the political existence of workers and their organizations with state control. The policies established by Vargas continued throughout the Vargas years, the democratic interlude, and into the initial stages of the military dictatorship. Within this framework, the notion that the state has a
responsibility for taking care of its people strengthened but was limited to particular sectors of the population. Through time, this understanding of state responsibility became a norm, one that is more widely reflected in Brazilian society today and which emerged as a central theme in my interviews. At the same time, the role of business in social welfare provision was primarily limited by the state to the s-system.

2.3 The Expansion of Citizenship and the Rise of the CSR Movement in Brazil

The corporatist structures established under Vargas shaped both social welfare provision and the relationship between business and the state well into the 1970s. As Chapter 4 established, though there were some efforts to expand social welfare provision under the military dictatorship, these changes only fed into persisting systems of stratification (Malloy & Parodi, 1993).

The national-developmentalist pact that had existed during Vargas’ rule broke down during the democratic interlude, with industrial actors coming to support the military dictatorship (Diniz, 2011). The military’s rule, which began in 1964, first ushered in a period of high growth that was characterized by a strong state role in the economy. Overall, from about 1950 until the 1980s, the Brazilian state actively sought to promote economic development and industrialization by adopting import substitution industrialization and an interventionist economic approach (Sikkink, 1991), and by the early 1970s, state capitalism in Brazil peaked (Musacchio & Lazzarini, 2014). This was followed by a slowdown, triggered in part by growing foreign debt (Kohli, 2004). Throughout this period Brazil continued to rely on foreign capital, since this was, in Kohli’s words, “the Brazilian way of development” (2004, p. 199). The military dictatorship maintained a close relationship with business, while renewing its efforts to control labour. The government’s program for keeping the Brazilian economy stable relied heavily on keeping wages low and on repressing the working class. As a result, Kohli (2004) argues that the Brazilian state under the military dictatorship was initially more cohesive-capitalist, but this changed as the military became increasingly splintered, and began to lose the support of the upper and middle classes.

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75 Brazil has had a problem with foreign debt for much of its history. As was already mentioned, Brazil’s debt to Britain in the late 1800s enabled Britain to push Brazil to abandon slavery. Foreign investment has also played a more significant role in Brazilian development than is the case in India. Chapter 6 explores the implications that this reliance on foreign capital has had on how CSR has been introduced and promoted in Brazil versus in India.
This contributed to growing dissent against the dictatorship and helped fuel a new type of unionism, which eventually produced leaders such as Lula. Social movements began to agitate for rights and democratic participation, calling for equal citizenship under the banner of *Cidadania* (citizenship) (Leubolt, 2015). This demand for equal citizenship was simultaneously a call for the expansion of social welfare provision, as “the demands for the ‘right to have rights’ brought together unions, urban neighborhood associations, the Base Communities of the Catholic Church, the student movement, and a range of issue movements including health, housing, and cost of living” (Baiocchi, Heller, & Silva, 2011, p. 42). This was also an effort to fight what Dagnino (2005, p. 153) refers to as a “culture of social authoritarianism.” The 1988 Constitution, the writing of which included the involvement of social movements, sought to guarantee social rights, and to further extend citizenship rights. As Leubolt (2015, p. 354) notes: “Here it was established that the education, pensions and health care system as well as public social transfers have to be universally available to all citizens in urban and rural areas.”

This is consistent with the broader rights-based turn in development discourse, which is generally dated to the early to mid-1990s (gaining more momentum in the preparations for the Copenhagen Summit on Social Development in 1995) (Cornwall & Nyamu-Musembi, 2004). However, this dating suggests that Brazil began to put socioeconomic rights (e.g., the right to health) into law before this became a broader trend in the Global South. Given the context of its transition from authoritarianism, the timing of rights-talk in Brazil is not surprising. As Cornwall and Nyamu-Musembi (2004) note, the precedent for rights-based approaches was the rights-talk of anti-colonial struggles and struggles against authoritarian regimes. In Brazil, political rights and citizenship had been historically circumscribed. The broadening of citizenship during the

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76 The call for more equal rights was also expressed through the decentralization provision provided within the constitution: local governance in Brazil, for instance, has become more proactive and inclusive, which is a far cry from the authoritarianism that characterized much of Brazilian history (Baiocchi, Heller, & Silva, 2011).

77 This is precisely why in India it was so important to ensure that political rights be protected in the post-independence period. It is also why socioeconomic rights were discussed while the Constitution was being written but were only included as Directive Principles of State Policy, given the state’s lack of capacity to fulfill them.
The democratic transition allowed for the questioning of the existing distribution of rights, including socioeconomic rights.\textsuperscript{78}

The growing emphasis on socioeconomic rights intertwined with the previously existing norm that the state should hold the responsibility for social welfare provision. The 1988 Constitution states that, “[s]ocial welfare comprises an integrated whole of actions initiated by the Government and by society, with the purpose of ensuring the rights to health, social security and assistance… It is incumbent upon the Government, as provided by law, to organize social welfare” (2010, p. 135). Thus, referring specifically to health for instance, it states: “[h]ealth is a right of all and a duty of the State” (Constitution of the Federative Republic of Brazil (3rd edition), 2010, p. 137). Similarly, the right to education is enshrined in the Constitution, and as of 2010, so is the right to food.

As a result, the late emergence of Brazil’s democracy from authoritarianism, rather than from an earlier anti-colonial struggle as was the case in India, and a broadening conceptualization of citizenship, combined to create more fertile conditions for the emergence of an emphasis on promoting socioeconomic rights.

However, as a presidential candidate in 1994, Fernando Henrique Cardoso submitted a plan (Mãos à Obra Brasil, or Set to Work Brazil), in which he seemed to hint at a movement away from placing all responsibility on the state. According to Sátyro and Cunha:

Cardoso recognized the Brazilian social debt and proposed a new model of development as an alternative to right this debt, supported by investments in health, education, sanitation, housing and security. His plan proposed the Community Solidarity Program as articulator of emergency actions and reforms in these areas and called for partnerships between the state, philanthropic institutions and community associations as the best strategy for this type of action. Therefore, two guidelines stand out: the guarantee that social policies should give priority to areas of chronic poverty and the understanding that

\textsuperscript{78} As Chapter 4 explained, the democratic transition unleashed a series of aspirations about making Brazil a more equitable society.
the most important role is in society and not the state as guarantor of protection. (2014, p. 91)

This suggests, that at least during the first term of Cardoso’s presidency, there was some effort to expand the responsibility for social welfare provision outside of the state. Yet Cardoso’s policies were somewhat ambiguous, with a strong emphasis on state programs, including the introduction of conditional cash transfer programs. Nevertheless, Sátyro and Cunha (2014) argue that Cardoso’s policies did not stay true to the spirit of the 1988 Constitution.

While in power, the PT took a different approach and embraced the notion that the state should work to improve the social welfare of its citizens. This was evidenced by the types of social policies the PT adopted while in power. How CSR was then promoted by the state is also consistent with an understanding that the state has the Constitutional responsibility “to organize social welfare” (Constitution of the Federative Republic of Brazil (3rd edition), 2010, p. 135).

This understanding implies that though funds may be derived from public and private sources, and though myriad actors, not just the state, may be involved in providing social welfare, the state should have the foremost role in organizing its delivery. In line with this statist priority, the mechanisms which the state uses to promote CSR and corporate involvement in social development (taxation policies and the arbitration mechanism titled termo de ajustamento de conduta (TAC)), allow state actors to retain some control over how that involvement takes shape.

The process of democratization also ushered in the emergence of CSR and private social investment (PSI). While the precise story of the emergence of CSR is picked up in greater detail in the next chapter, what is important to note is that while the introduction of CSR did seek to reshape the business/state relationship in Brazil, it did not instill a strong sense that business has a responsibility to engage in socioeconomic development in the same manner as in India.

The introduction of CSR in Brazil was, in the words of a professor who has studied CSR in Brazil for the last two decades, “a business elite agenda… Elites trying to create a new economic model, and CSR within that” (Interview BRA15). It included a call for companies to contribute
to socioeconomic development. More broadly, however, the CSR movement represented a splintering within Brazil’s business elites. Many of the existing business elites had flourished within the corporatist system. Those who were now pushing for CSR were in effect trying to promote an alternative conceptualization of the role of business in development. They questioned the existing ‘authoritarian-corporatist’ institutions which had existed for much of the 20th century and sought to promote engagement with emerging civil and popular movements. In practice, this meant that they went against existing industrial associations and had to create new organizations which could act as promoters of CSR and PSI (Pena, 2014).

At the same time, the state’s role in the economy also underwent changes. The economic crisis between 1979 and 1983 triggered a number of unsustainable efforts to bail out failing SOEs, and created new fiscal pressures (Musacchi and Lazzarini, 2014). In response, the state implemented a number of stabilization plans, and initiated sweeping privatization. The privatization undertaken, however, still maintained a strong state role in the economy. As Musacchi and Lazzarini (2014) argue, the Brazilian state became a majority and minority investor in many industrial enterprises, with the country’s development bank, BNDES, essentially acting as a holding company for the government. This has had important consequences, since BNDES has also been central to the state’s policy of promoting CSR.

Overall, the CSR movement in Brazil represented an effort to increase civic control over firms. While traditional business elites and institutions seemed more accepting of neoliberal economic influences, which were dominant in Brazil at the time, the CSR movement was more muted in its support. Instead, the movement sought to bring greater attention to issues of social and economic inequality that had crystallized during the democratization process (Pena, 2014). The movement’s emergence is therefore closely linked with the wider spread of civil society in Brazil following its democratic transition.

There were essentially two strands within the broader movement: one promoting CSR and one advocating private social investment. As was established in Chapter 2, PSI in Brazil more closely resembles CSR in the Indian context, while CSR in Brazil largely falls under terms such as responsible business in India. In the case of Brazil, these have also come to be promoted by
different organizations (Instituto Ethos, or the Ethos Institute for CSR, and Grupo de Institutos, Fundacoes e Empresas (Institutes, Foundations and Corporations Group – GIFE), for PSI). Each of these organizations was created by one of the founders of the overall CSR movement in Brazil, Oded Grajew and Marcos Kisil, respectively. According to one commentator, the two have historically tended to be at odds, with Grajew arguably being the more successful one (Interview BRB1). Indeed, Ethos is often seen as the primary organization promoting CSR in the country. The understanding of CSR promoted by Ethos is more concerned with the nature of how a company does business but has in recent decades also become about trying to engage with government on a number of issues, including curbing corruption.

While the institutionalization of CSR is discussed in more detail in Chapter 6, the relevant point here is that overall and contrary to India, the more prominent emphasis on CSR rather than PSI has meant that there has been less of a push for companies to become engaged in social welfare provision. For example, even while arguing that companies need to become more engaged in social (and not just economic) development, the head of CSR for a large automotive company notes that: “the concept of a company… the legal and structural and economic, is that a company is made to have profit. Period. The state has [an] obligation to take care of people. And the state collects a huge amount of taxes” (Interview BRB3). The increasing prominence of CSR in Brazil has not led to a strengthening of the idea that business shares some of the state’s responsibility for providing socially desirable goods.

Moreover, the entire CSR movement in Brazil has been more politicized than in India. During the early 2000s, members of this movement, particularly Oded Grajew, were closely linked with Lula and the PT. According to one commentator (a CSR practitioner within a large public sector company), Grajew: “had a lot of meetings with businessmen in Sao Paulo, where there was most resistance to the PT, he had the political role to make Lula and PT more acceptable. To create this social pact, to create political conditions to move further” (Interview BRB7). At that time, there was an excitement that businesses could work with the state in the goal of reducing inequality and promoting development in the country. However, Grajew subsequently broke with the PT, and in recent years there has been a perceived crisis of the entire CSR sector. My
interviews in 2015 with CSR practitioners revealed strong criticisms of the PT, prior to its removal from power in 2016.

In one of the first comprehensive studies of CSR in Brazil, Cappellin and Giuliani argue that historically, Brazilian businesses had a fairly low level of acceptance of the social responsibilities of companies. They note that, “in the traditional Brazilian business mindset, concepts like ‘collective’ or ‘public’ are interpreted only as state responsibilities; the state alone should be concerned about the social agenda” (Cappellin & Giuliani, 2004, p. 5). While there has certainly been some movement away from that mindset, the state is still seen as holding the primary responsibility for social welfare.

The flourishing of CSR in Brazil following democratization did seek to encourage business to play a stronger role in the country’s social development and was part of a larger movement that included civil society. This went hand in hand with the new broader conceptualization of citizenship. However, the CSR movement, citizenship, and the breadth of the state’s role in social welfare provision remain subject to contestation. Dagnino (2005) notes that disputes over citizenship and its various appropriations and definitions form the very grounds of political struggle, not only in Brazil but throughout Latin America. She argues that this broader definition of citizenship, for which social movements fought, has been pitted against a neoliberal understanding which emphasizes the integration of individuals within markets. The initial CSR movement was not entirely supportive of Brazil’s neoliberal shift and found a partner in the PT, which instead sought to strengthen the state’s role in both the economy and social welfare provision. Yet the CSR movement’s turn against the PT, the ousting of the PT in 2016, and the current government’s efforts to cut social spending, have gone against those earlier trends.

At the same time, the country’s corporatist tradition continues to resonate. As Power and Doctor (2004) note, there have been few successful attempts to dismantle existing corporatist structures. They predict that rather than pluralist structures replacing corporatist ones, they will overlay them, writing: “As new institutions are established above the corporatist bedrock, Brazil may eventually move toward a form of ‘marble-cake corporatism’ characterized by a fascinating intertwining of pluralist and corporatist practices. But absent a new critical juncture, it will be
corporatism that flavors the cake” (Power & Doctor, 2004, pp. 237-240). As the next chapter shows, even some of the new institutions created to promote CSR, though initially seeming to exist outside of older corporatist structures, have more recently turned towards greater engagement with the state in a manner consistent with corporatist practices.

This discussion has demonstrated that the norm that the state holds primary responsibility for delivering collectively desirable goods has existed since Brazil’s early efforts to provide social welfare. This norm was initially imported from Europe and combined with the more programmatic ideas of corporatism (which were also partially influenced by ideas dominant in Italy and Portugal), and a historically limited conceptualization of citizenship, to create a system of social welfare provision where the state provided generous benefits to a limited section of the population. Business actors were encouraged to participate in this system within parameters established and controlled by the state. The subsequent process of democratization ushered in a greater focus on rights and a push for a more universal form of citizenship, as well as the introduction of CSR. The result has been a strengthening of the notion that it is the state’s responsibility to provide collectively desirable goods, even while companies’ involvement in doing so has increased through their CSR practices. At the same time, some of the state’s corporatist tendencies have persisted as evidenced in its promotion of CSR.

3 Conclusion:

Ideas have played an important causal role in shaping trends in how responsibility for social welfare provision is divided between state and corporate actors in Brazil and India. In the early period of social welfare provision, ideas regarding responsibility were shaped by an interplay of prevailing notions of citizenship as well as by ideas about how the business and the state should interact. In the Indian case, the latter has been largely molded by the tradition of trusteeship, while in Brazil, corporatist traditions have played a central role. In recent decades, both Brazil and India have witnessed the introduction of CSR from abroad, as well as a strengthening of

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79 For example, some concrete attempts to alter corporatist institutions were introduced by Lula and sought to remove constraints on labour organization and collective action (Mayer, 2016). The Brazilian Congress, however, failed to pass these reforms. There has only been one prominent change, which recognized the legal existence of central labour organizations that can represent worker interests (Cook, 2007; Mayer, 2016).
rights-based development ideas. However, this chapter has demonstrated that because Brazil and India had by then taken on slightly different paths, ideas regarding rights and CSR have been welcomed somewhat differently in the two contexts. The net result has been that despite the introduction of rights-based legislation, the prevailing norm in India remains that responsibility for social welfare provision should be shared between state and corporate actors. In the case of Brazil, rights-based discourse has more strongly influenced state policies and has served to fortify the already existing norm that primary responsibility for delivering collectively desirable goods should fall on the state.

This chapter has thus focused on how central ideas (those regarding citizenship, and the relationship between business and the state) historically interacted to create norms of responsibility. Recent ideational trends (CSR and rights talk) have served to both challenge and promote those norms (depending on the context), but neither Brazil nor India has taken drastically different ideational paths in response to these trends. Both states have taken CSR and rights more seriously, however underlying patterns of business/state engagement have not dramatically shifted.

Ideas, while necessary to understanding the variation described in Chapter 2, are not sufficient to provide an explanation. It is necessary to also understand how these ideas then impact state and corporate actors. As a result, the next chapter turns to the question of how CSR has been institutionalized in Brazil and India.
Chapter 6: The Institutionalization of Corporate Social Responsibility in Brazil and India

State capacity helps to account for why states seek to share some of the responsibility for delivering collectively desirable goods with non-state actors, but it does not explain why a state would turn towards companies, nor the manner in which that responsibility becomes shared. A state’s choices must be explained both with reference to ideas about whether, and if so how, responsibility should be shared between the state and corporate actors, as well as the willingness of companies to take on this role. The discussion developed in the previous chapter shows how norms of responsibility for social welfare provision emerge through the interaction of business and the state. However, it still leaves open the question of how companies take on this responsibility. In other words, how is corporate involvement in social welfare provision institutionalized? 80

This chapter considers the interplay of ideas, interests and institutions to explain both the state’s promotion of CSR and corporate involvement in social welfare provision. It does so by briefly tracing the history of CSR’s institutionalization within companies and the wider business community in Brazil and India. While Chapter 5 identified the central ideas that have been important to the institutionalization of CSR, this chapter adds to this a deeper analysis of how these ideas have interacted with broader company interests in driving policies both historically and in the present.

As a first step, it considers the wider institutional framework within which CSR has emerged, and which has impacted company interests with respect to implementing CSR practices. The

80 Since the type of corporate involvement being described is often put under the umbrella of CSR, in this chapter I consider the institutionalization of CSR more broadly, while still maintaining a focus on those aspects of CSR which are more directly linked to social welfare provision. Therefore, I do not consider factors such as international reporting mechanisms which may impact the companies in question, and which are generally considered to be part and parcel of corporate social responsibility.
primary focus is on understanding similarities and differences in the economies and civil society of Brazil and India since these have had an impact on how CSR has evolved. I then consider how the state has promoted CSR. The state’s position towards CSR has been shaped by both considerations of state capacity, ideas regarding responsibility, as well as political interests. CSR (and in the Indian case its predecessor—trusteeship) has also been used instrumentally by both states to achieve particular goals. Companies Act 2013, for example, was passed before an important election, and allowed the incumbent government to argue that it was holding companies accountable for their behaviour. The state’s position, in turn, affects CSR practices.

This analysis of the broader context establishes the wider institutional framework shaping company interests and driving CSR. I then provide a brief history of CSR’s institutionalization within companies and the wider business community. Finally, I argue that the contextual differences described here, together with the norms of responsibility discussed in the previous chapter, account for the difference in focus of CSR efforts between Brazil and India that were described in Chapter 2. In doing so I demonstrate that ideas shape company behaviour in two ways: directly and indirectly. The degree to which companies accept the norm that they have a responsibility for social welfare provision directly impacts CSR practices. However, this norm also shapes state policies, which then create incentives for companies to alter their behaviour.

The following examination of CSR’s institutionalization helps to highlight a point of contention in efforts to understand CSR. To what degree is CSR shaped by formal codified rules, or informal socially shared rules? In other words, when considered through an institutional lens, is CSR a formal or an informal institution?81 This question has not received sufficient attention.82 The multifaceted nature of CSR implies that it has elements of both informal and formal institutions, and this divide is constantly under negotiation. This is supported by the discussion developed in this dissertation. While the previous chapter established how norms regarding the

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81 I follow Helmke and Levitsky (2004, p. 727) in understanding informal institutions as: “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels.”
82 Matten and Moon (2008) hint at this when they introduce the theoretical distinction between ‘implicit’ and ‘explicit’ CSR (see Chapter 3). However, they do not go so far as to consider whether CSR itself has elements of a formal or an informal institution.
sharing of responsibility have emerged in a largely informal way, this chapter shows how these norms are also formally institutionalized through law.

In developing this argument, I introduce a distinction between liberal CSR regimes and statist CSR regimes. I argue that an analysis of Brazil and India provides us with two clear examples: a liberal CSR regime is emerging in India, while a statist CSR regime is forming in Brazil. A liberal CSR regime is defined as one in which the state seeks to transfer some of its responsibility for social welfare provision onto corporate actors by promoting CSR but does so in manner that: a) allows companies to maintain a great deal of control over the nature of their involvement, and b) does not seek to strongly influence corporate behaviour beyond contributions to welfare provision. A statist CSR regime is defined as one in which the state seeks to promote corporate involvement in welfare provision only in instances where it can retain some control over the nature of that involvement. A statist CSR regime also adopts mechanisms that seek to influence corporate behaviour above and beyond company contributions to socioeconomic development.  

1 The Economy and Civil Society: Understanding Non-State Drivers of CSR

The discussion thus far has primarily focused on the business/state relationship, and its impact on the emergence of systems of social welfare provision. The broader economic and social environment also plays a central role in shaping the interests of companies and their CSR practices, and is discussed below. The next section then returns to the question of how the state has promoted the institutionalization of CSR in Brazil and India.

First, a brief note on international influences is needed. Both Brazil and India have faced external pressures to institutionalize CSR practices. These pressures have come from similar types of sources, albeit from different regions. In India, an important agency promoting CSR dissemination in the country has been GIZ, the German development corporation. In the case of Brazil, early support for CSR came from United States’ sources, including the Kellogg Foundation.

83 This distinction should not be thought of as a binary one, but rather as a continuum. States can therefore occupy positions along this continuum.
Research on CSR in the Global North shows that CSR has been institutionalized somewhat differently in the United States and European countries such as Germany (Matten & Moon, 2008). Matten and Moon (2008) argue that CSR in the United States is more ‘explicit’ and is embedded in systems that allow corporations more opportunity to take on explicit CSR responsibilities. European CSR is ‘implicit’ and is implied in systems governing corporate responsibility more broadly. European companies thus face greater mandatory requirements.

While this may be the case, the emphasis throughout the Global North has been on the ethical behaviour of business above an emphasis on anything that might resemble philanthropy, including company involvement in development projects. GIZ was more central to the passage of the National Voluntary Guidelines in India (discussed later in this chapter) that focus on responsible business practices, rather than any provisions relating to the Companies Act. As Chapter 2 explained, responsible business in India largely corresponds to CSR in Brazil (while CSR in India corresponds to PSI in Brazil). Similarly, the emphasis of U.S. influences on CSR in Brazil has been on the ethical behaviour of companies. This suggests that despite some of the differences in where ideas regarding CSR have come from in Brazil and India, they have not been sufficiently dissimilar to explain different outcomes.

Recent international frameworks and associations, including GRI and the Global Compact, have exerted similar pressures in both contexts. External pressures have come in the form of the presence of multinationals, or participation in global value chains, meaning that companies may face stricter scrutiny elsewhere. However, different international influences have had more or less influence in Brazil and India. For instance, my interviews revealed the importance of reporting initiatives such as the GRI in Brazil (Interview BRA4; Interview BRB14). In India, the Millennium Development Goals (MDGs), and now the Sustainable Development Goals (SDGs), have been more central (as the discussion in this chapter will show). This may be partly linked to the fact that reporting mechanisms focus more strongly on the responsible behaviour of companies, while initiatives such as the MDGs emphasize development, and work with governments in influencing public policies (the MDGs are directly reflected in India’s CSR legislation). This was supported by the conclusion made by a long-time CSR practitioner in
India. When commenting on companies that may be seeking to export outside of India, he noted: “the global initiatives like the Compact or GRI… Indian companies are realizing there is this international discourse and they should be part of it, but on the ground, they are still doing what India requires” (Interview INB13).

This suggests that, as this dissertation argues, an explanation must primarily consider domestic factors, including the manner in which international influences are then filtered through existing understandings (in this case, regarding how responsibility for social welfare provision should be shared between state and market actors) and institutions.

1.1 The Indian and Brazilian Economies: Some Similarities and Differences

In recent decades, the governments of both Brazil and India have made a pro-business tilt. In India, this shift in policy began even before 1991, the year usually referenced as the beginning of India’s liberalization. The shift has been accompanied by a growing convergence on economic issues across political parties (though it has further intensified since 2014 under the BJP-led NDA government). Key economic decisions are made within a technocratic apex, and most of the provision of public goods has been further decentralized to state and local governments.

Brazil experienced economic turmoil in the 1980s that resulted in its turning to the International Financial Institutions (IFIs) for support, and the subsequent adoption of various conditionalities. As a result, “a large part of the developmental state was abolished” (Schapiro, 2013, p. 123). Starting in the late 1980s tariffs were massively reduced, and Brazil began to open rapidly. Privatization, which technically began in 1981, became a priority in the 1990s (Luna & Klein, 2014, p. 281). Cardoso’s administration strongly encouraged the participation of foreign investors in this process and they came to account for more than 50 percent of purchases of former state enterprises (Luna & Klein, 2014, p. 281). When Lula was elected in 2002, he continued to implement many of the economic reforms begun by the Cardoso government.

Thus, both the Indian and Brazilian states have been fairly pro-business in recent decades. Nevertheless, the state’s role in the economy continues to be important in both instances, as exemplified by the shrinking but still significant size of the public sector.
In Brazil, while in 1976-77, the public sector was responsible for 43% of total gross capital formation (with some 25% coming from large SOEs) (OECD, 2015, p. 70), this picture changed significantly by the 2000s. Though not all SOEs were privatized fully, the relative importance of those with majority state control was reduced. While the capital formation by large government controlled SOEs stood at 25% in 1976-77, this dropped to 8.9% by 2002 (OECD, 2015, p. 71). But in certain industries, including oil and electricity, the state’s role has remained important. BNDES, Brazil’s development bank, also plays an important role in the Brazilian economy contributing nearly a quarter of total credit to the private sector and nearly all long-term credit (OECD, 2015, p. 72). In India, a large portion of companies continue to be publicly-owned. While in 1993-1994, the public sector was responsible for 51.8% of capital formation and the private for 48.2%, these figures stood at 44.6% and 55.4% respectively by 2002-2003 (Sundar, 2013, p. 212). While this shift is significant, public companies continue to play an important role.

The continuing importance of the public sector has an impact on the institutionalization of CSR in both contexts since states can, and often do, make demands on state companies to implement corporate social responsibility programs. A state can more easily shape the choices of public rather than private companies. At the same time, however, there are some important differences between these two economies which have an impact on CSR practices.

The first major difference is the size of the informal sector. Some 83.6 percent of all Indians engaged in non-agricultural work remain outside formal employment (ILO, 2012, p. 3). In Brazil, the ILO puts the figure at 42.3 percent (ILO, 2012, p. 3). State efforts to promote CSR only concern the formal sector, so this difference can potentially have an impact on the degree to which such state efforts can have broader impact.

In terms of the economy’s effect on the institutionalization of CSR, one of the most important differences in these two economies concerns the division between domestic and global capital, and the importance of family businesses. India is still largely an economy of Indian producers seeking to meet the demands of the country’s domestic market (Kohli, 2012). The role of foreign investment has increased but remains low compared to countries such as China. Moreover, most
of the country’s private companies continue to be family owned (75% of the largest 100 businesses as of 1993 (Sood & Arora, 2006, p. 9)). This includes businesses such as Tata Sons, Aditya Birla, Bajaj Auto, Mahindra and Mahindra, and Reliance Industries.

This has an impact on CSR practices. As the following sections argue, many of the older family businesses were led by individuals who came to identify with trusteeship (and who in turn had a close relationship with Gandhi). The fact that together these family businesses account for a significant portion of the country’s economy has had an important role in helping to institutionalize CSR. Much of the more recent growth has been in newer sectors, including services and the IT sector in particular. Sundar (2013) argues that this is triggering the creation of a new entrepreneurial class which is more hedonistic and less connected to the norm of trusteeship. In the case of this latter group, the institutionalization of CSR through law, as well as various economic and societal pressures, play an important role in shaping company interests and policies.

Foreign capital has historically played a more important role in Brazil, and FDI has continued to pour into the country: in 2014, Brazil was the fifth largest global destination for FDI and it typically receives close to one half of all FDI coming into South America (2015 Investment Climate Statement - Brazil, 2015). One of the results of increasing FDI has been a high degree of concentration and foreign control in strategic sectors of the economy, including mining and power generation (Petras & Veltmeyer, 2003).

While in India, domestic families have strongly shaped CSR’s emergence, CSR in Brazil has been highly influenced by outside ideas of what companies owe to society. The importation of American notions of CSR has been central to shaping how CSR is viewed by Brazilian companies. As Chapter 2 showed, CSR in Brazil is understood more broadly as including considerations of how companies operate, whereas PSI refers to corporate involvement in development. The CSR stream of the overall CSR movement in Brazil has been somewhat stronger than its PSI stream, meaning that perceptions of CSR overall are closer to those found in the Global North than is the case in India. Moreover, the strong presence of foreign investment
has at a more basic level meant that Brazilian companies need to be more cognizant of CSR expectations in other markets.

1.2 Civil Society in Brazil and India

While it is a large and fluid category, civil society serves several important functions when we consider both the role of the state in welfare provision and the role of corporations. In very broad terms, civil society plays two primary roles: an activist role, and a service provision role. Both impact the business-state relationship and the provision of welfare. Civil society’s activist role has been central to the development of CSR across the globe. Through raising awareness, naming and shaming, and other activist work, civil society has been central in bringing to light unethical company behaviour. This has been an important driver of CSR in much of the world, especially in countries with weak regulatory frameworks (which characterizes much of the Global South). However, the ability of civil society to fulfill its intended roles is not guaranteed, and in both Brazil and India civil society has faced increasing pressure in recent years. Trends in both countries have pushed civil society towards service provision roles, which reduces its potential to play an advocacy function and to hold companies accountable for their actions.

In India, civil society actors are expected to be central to implementing the CSR provisions of Companies Act 2013. According to a representative of the Indian Institute of Corporate Affairs, which is charged with helping to implement the Act: “The lynchpin, the fulcrum, is civil society. That is the lynchpin for democracy to work. They can inform the shareholder, the beneficiary, to push the government, to push the corporate” (Interview INB10).

In Brazil, civil society has also played a number of roles since democratization, achieving significant levels of participation in public policy formulation. The writing of the Brazilian Constitution in 1988 took nearly three years and included the voices of various sectors of civil society. Mohanty et al. note that the Citizen Constitution, as it is often known, “was guided by the principles of institutional decentralization and popular participation” (2010, p. 12). Institutional decentralization has included the decentralization of provision, meaning that civil society actors have increasingly been pulled into the provision of collectively desirable goods.
For example, the state established a new regulatory framework when it created the category of Civil Society Organizations of Public Interest (OSCIps), putting into place a system through which the state and civil society can work together to implement public policies. According to Mendonca, Alves and Nogueira (2014), this has led to the creation of a ‘contract culture’ through which policies designed by the government are executed by third parties. The government has therefore begun to use civil society as an extension of the state, and one of the mechanisms it has adopted to promote CSR is tax breaks for companies donating to OSCIps.

In India, the state has recently taken on a more combative position towards civil society, even while giving companies greater leeway in their CSR practices (discussed next). In 2010, the government passed the Foreign Contribution (regulation) Act (FCRA), which seeks to oversee how NGOs are funded. The FCRA has been used to increasingly control more critical members of civil society since they may still be receiving some of their funding from foreign sources, including aid organizations. The government has been very strict in applying the Act, with thousands of NGOs having their licenses revoked for non-compliance (e.g., Greenpeace) (Overview of the Foreign Contribution Regulation Act in India, 2015).

One of my interviewees, the head of an important civil society organization in India, argues that while service-providers are seen as aiding the process of nation-building, public advocacy groups are perceived as troublemakers who seek to undermine the state (Interview INB3). As a result, anyone calling for greater accountability within the political and/or economic sphere is viewed with suspicion. He therefore concludes that: “In the last few years, there has been a dramatic shrinking of the space… It will only aid the role of welfare” (Interview INB3).

The position of NGOs as service providers is likely to be ensured, in part because they have come to play several important roles. By engaging in service delivery in areas where the Indian state is absent, or where its reach is poor, they help to offset some of the failings of the country’s system of welfare provision. At the same time, they are a necessary partner for many companies seeking to engage in CSR. However, the ability of civil society to engage in advocacy and oversight of corporate actors is shrinking.
At the root of the challenges facing civil society in both Brazil and India is the question of funding, which is invariably tied to autonomy. In both Brazil and India, funding for civil society has been decreasing. According to one Brazilian commentator, when she first began working within civil society some twenty years ago, 80% of their funding came from international donors (Interview BRB2). The majority of that money has disappeared, and funds must be solicited locally. In practice, this usually means seeking funds from either the government or from corporate actors (Mendonça, Alves, & Nogueira, 2014). Similar trends can be observed in India, where my interviews reveal a general sense that civil society is under threat. As the rates of Indian growth have increased, the amount of funding for civil society has decreased (particularly from bilateral donors and foreign aid).

As a result, civil society in both Brazil and India is increasingly turning towards either the state or corporate actors to secure funding. In the case of Brazil, civil society is more likely to turn towards state actors. However, research shows that partnership with government does not necessarily take away all of their autonomy. Lavalle, Acharya and Houtzager, in an analysis of organizations representing the poor within participatory institutions, argue that: “[c]ontrary to conventional wisdom, these civil organizations are not coopted, but instead are more likely than their poorly connected counterparts to organize public demonstrations and to make demands on the government through multiple channels” (2005, p. 951).

This suggests that Brazilian civil society can retain some independence and be more representative, even if it is closer to political actors. Though this may be the case, while the PT was in power there was a perception that there was a close relationship between civil society and the state, which has been detrimental to civil society actors. In recent years, a series of scandals emerged relating to projects run as partnerships between state actors and civil society. As the director of a large umbrella organization of NGOs in Brazil noted, often these scandals are related to how and which NGOs are funded by government actors. The blame for the scandals has largely fallen on civil society, resulting in growing distrust of civil society (Interview BRB2).

In sum, one common trend characterizes Brazil and India – a widespread concern with the future prospects of civil society. This has important implications for the role civil society can play with
respect to both business and the state. Reduced autonomy can result in a reduced capacity of civil society actors to hold both state and corporate actors accountable for their behavior. In other words, though civil society is expected to play a watchdog role with respect to companies in particular, its ability to do so is on the decline.

2 State Promotion of Corporate Social Responsibility

While characteristics of the economy and civil society have shaped company interests and the institutionalization of CSR, state policies have played a more important role. India began to adopt policies promoting CSR earlier than Brazil, but its recent legislative efforts, while encouraging corporate spending on CSR, also give companies a great deal of leeway over how they engage in social welfare provision. The Brazilian state, on the other hand, has promoted CSR insofar as it retains a degree of control over the nature of that provision.

In analyzing state policies I consider how both state capacity and prevailing ideas regarding shared responsibility have shaped state efforts. At the same time, I pay attention to more instrumental reasons behind state policies (including the desire to appear to hold companies accountable). I demonstrate that that while the former explanations have been more central in shaping state policies, instrumental reasons have certainly played a role (for example, in influencing the timing of the Companies Act’s passage in India immediately before an election).

2.1 India: From Trusteeship to CSR

As the previous chapter established, the idea of trusteeship emerged in the pre-independence period, and was taken seriously by a number of India’s industrialists. It also argued that following independence the Indian state eventually came to promote trusteeship and the notion that business has a responsibility for socioeconomic development. Given the state’s limited capacity, and the state’s focus on industrialization rather than the establishment of a welfare state, trusteeship provided a useful rhetorical device that could be deployed in state efforts to show that it was still taking social welfare provision seriously. The Indian state actively promoted trusteeship as a broader norm that should be accepted by both companies and society.
Early state policies fostering trusteeship focused on granting tax concessions to individuals and companies making charitable contributions. Even before independence, in 1922 the government granted a 50 percent tax exemption to individuals for charitable contributions, and in 1948 this exemption was extended to companies (Sundar, 2013, p. 136). This did encourage companies and industrialists to give, resulting in what Sundar (2013) refers to as the Golden Years of Indian philanthropy that spanned the first five decades of the twentieth century. The majority of investment was in education and medical facilities. The level of taxation was high following independence, further encouraging this type of investment. Companies Act 1956 (the predecessor of the current Act) also introduced section 25, which allowed individuals and corporations to set up non-profit charitable institutions (Sundar, 2013). The result was that existing trusts increased in size, and new ones were also created.

A series of seminars in 1965 and 1966 organized by Jayaprakash Narayan, a socialist political leader, sought to bring attention to the social responsibilities of business. The seminars emphasized community development, therefore strengthening the norm that business has a role to play in socioeconomic development. The state’s promotion of these efforts continued and was extended to also promote company involvement in rural development. In 1977, section 35CC was added to the Income Tax Act, which sought to:

> [P]rovide for 100 per cent deduction to a company in respect of expenditure incurred by it on approved programmes of rural development, which included construction and maintenance of rural roads, drainage and sanitary systems in rural areas, construction and maintenance of hospitals, dispensaries and family planning centers, drinking water facilities and so on. (Sundar, 2013, p. 177)

As was discussed in the previous chapter, by 1983-4, this tax incentive was removed, but a number of companies engaged in rural development continued with their projects (Sundar, 2013). By the 1990s, as India was heading towards liberalization, there was a growing trust deficit in the business sector, while simultaneously the global CSR movement strengthened.84

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84 The head of sustainability of a major business association working to promote CSR summarized the pressures resulting from this trust deficit as follows: “[companies] cannot hope
These international pressures and the growing trust deficit increasingly brought to the fore the ethical behaviour of companies, in addition to corporate contributions to development. As a result, the state began to promote efforts which would serve to further institutionalize corporate social responsibility, starting with the public sector. The culmination of these efforts has been the Companies Act 2013.

Discussion about possibly legislating CSR in India began nearly a decade before the new Companies Act was passed. In 2007, Ranjan Mohapatra, the head a CSR consulting firm, was asked to draft a set of CSR policies, and to submit them to the Department of Public Sector Enterprises (DPE). The Report provides a more holistic view of CSR (Draft guidelines on corporate social responsibility (CSR), 2007), and suggests that public sector undertakings (PSUs) be tasked with spending a specific portion of profits on CSR projects. However, little happened until 2010, when the DPE produced a set of guidelines on corporate governance and CSR. The CSR Guidelines emphasized that PSUs should: spend anywhere between 0.5% and 5% of their profits on CSR; run these in project mode in areas that are relevant to the company’s business; and link the projects with the goals of sustainable development (Department of Public Enterprises, 2014). The Guidelines were amended several times over the next few years, with final amendments being made in 2014 to ensure compliance with the Companies Act.

In 2010, the larger cause of CSR was picked up by then DPE Secretary, Bhaskar Chatterjee. He sought to publicize the notion that companies should spend a portion of their profits on CSR, precipitating a wider discussion about the need to legislate for such requirements. One of my interviewees, who is acquainted with Mr. Chatterjee, notes: “[h]e told me that what he was going to do was to blur the difference between private and public companies” (Interview INB13). The political interests of a government minister who wanted to make his mark on how CSR is practiced in India thus set into motion a series of events that resulted in Companies Act 2013.

85 Interestingly, both Ranjan Mohapatra and Bhaskar Chatterjee refer to themselves as the ‘father of CSR in India.’
Given that India had been operating with an outdated Companies Act (dating back to 1956), calls for new legislation emerged in the last decade. As these debates evolved, legislators also began to call for the inclusion of CSR. A proposed draft resolution sought to define CSR by linking it to a notion of the common good and the way in which a company conducts business. The Draft Resolution then goes on to list the types of activities that companies should engage in, which were drawn directly from the Millennium Development Goals and focused on community development. While there was little change in this listing between the draft and the final Act, any attempt to define or frame CSR was removed. Rather, CSR means and includes but is not limited to projects or programs listed, and/or activities undertaken by the Board in pursuit of recommendations given by the company’s CSR Committee.

Though the CSR provision is only a small part of the Companies Act, it was one of the most discussed sections of the legislation. In a speech he gave about CSR, then Minister of Corporate Affairs Sachin Pilot noted that he received more calls about this one provision than about everything else in the Act put together (Pilot, 2013). There was little debate about whether to implement CSR legislation – instead, this seemed to be the one point on which everyone could agree. Some debate did arise regarding the cost of non-compliance: ultimately, it was agreed that companies who have failed to spend the requisite 2% should be allowed to simply explain why they have not done so. Otherwise, most members of the Lok Sabha seemed to have praise for the CSR provision (Discussion on the motion for consideration of the Companies Bill, 2011, 2012). Overall, the government sought to represent the CSR provisions as revolutionary, and as central to fixing the divide between the rich and poor in the country. The timing was also important. As one commentator noted, in an election year “this provision made huge waves” (Interview INA15). As a result, some of the commentators I spoke with saw the CSR provisions as an electoral ploy. As was discussed in the previous chapter, such an interpretation fails to account for the wide level of support the legislation received from different political parties. It also arguably does not consider the evolution of norms regarding responsibility for social welfare provision. Nevertheless, this perspective on the CSR clause is helpful in explaining the timing of CSR’s legislation. The incumbent government, knowing that it would face stiff competition in
the next election, wanted to show that it was doing something to hold companies accountable at a
time when the Indian economy was rapidly expanding.

The fact that CSR was already increasingly institutionalized within some of India’s largest and
most important companies meant that the clause faced less corporate resistance. Large Indian
conglomerates such as the various Tata companies were already spending similar (or greater)
amounts on development projects through CSR. 86 Trusteeship and the norm of sharing
responsibility for social welfare provision were more accepted by these companies, and my
interviews revealed that they did not see the legislation as particularly cumbersome (Interview
INA6; Interview INB12; Interview INB19; Interview INB24).

While it is too soon to make any conclusions about how effective the Act will be, it is useful to
study it in greater detail. CSR is covered by Section 135 of the Act and applies to every company
having a net worth of five hundred crore or more, or a turnover of one thousand crore or more, or
a net profit of five crore or more (in rupees) during any financial year. Companies meeting this
requirement must: create a CSR Committee of the Board; make available a report which
discloses the composition of that Committee; ensure that the Committee will develop a CSR
Policy, in line with Schedule VII, and will recommend an expenditure amount, and monitor the
company’s CSR policy; make certain that the Board will take into account recommendations
made by the CSR committee, approve the CSR Policy, and disclose the Policy on the company’s
website; and finally, spend, in every financial year, at least two percent of average net profits on
CSR (Companies Act 2013, 2013). The company should also focus its efforts on the local areas
surrounding its place of operations, and if the company fails to spend two percent, the Board
must provide a Report which specifies the reasons for that failure.

86 This is not universally true. As the previous chapter explained, while large indigenous business
houses, particularly those which embraced trusteeship, may have a more consistent dedication to
CSR spending, this is not the case across the board. While in recent decades, there has been a
more significant move away from purely philanthropic contributions to more developed CSR
programs, the number of companies that have successfully moved away from a purely
checkbook approach to CSR is still small.
Schedule VII of the Act specifies in detail what ought to be covered by CSR policies. Since the initial Schedule VII was not sufficiently specific, one of the Act’s first amendments (dated the 27th of February 2014) spells out the activities of Schedule VII in greater detail. Summarizing, these include: (i) eradicating hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water; (ii) promoting education; (iii) promoting gender equality, empowering women, and protecting the elderly; (iv) ensuring environmental sustainability, and the conservation of natural resources and the quality of soil, air and water; (v) protecting national heritage, art and culture; (vi) helping armed forces veterans, war widows and their dependents; (vii) training to promote sports; (viii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development; (ix) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central government; and (x) rural development projects.\footnote{87}

The government has also sought to develop institutional infrastructure to aid corporate actors in implementing CSR projects. While it has asked existing industrial associations such as Confederation of Indian Industry (CII) to aid companies in developing their CSR programs, it has also tasked the Indian Institute of Corporate Affairs (IICA) with promoting the implementation of the CSR provisions. IICA was created in 2008 by the Ministry of Corporate Affairs and consists of a core staff of consultants. It has also created its own campus, where it offers a series of courses relating to CSR, sustainability, and corporate governance.

The IICA is registered as a society, and its unique position within the larger government apparatus is described by one of its senior consultants as being “a think tank for the government” (Interview INA16). According to IICA staff, their primary role is to create an enabling environment for the flourishing of CSR. Since the majority of corporate actors have historically focused their CSR activities on philanthropy, they seek to build the capacity of corporate actors to strategically develop their CSR capacities by offering a number of services.

\footnote{87 It should be noted that the government does not release details on the PM’s National Relief Fund, including how its money is spent, nor is the Fund covered by the Right to Information Act. There is no transparency regarding the use of the money placed in this fund.}
Their second major role involves helping companies to find implementing partners since many corporate actors continue to rely on civil society organizations to implement their CSR programs. The new legislation, IICA argues, presents companies with the challenge of identifying ‘reliable’ partners for CSR projects. In order to help companies, the IICA is creating a database of ‘credible’ implementing agencies (it is not entirely clear what that means in practice) and developing NGO training workshops. According to one of the individuals in charge of organizing these programs, until now, NGOs have primarily worked on a grant-based approach, but if they wish to draw on CSR funds, they will need to adopt a market-based approach. Therefore, NGOs “need to change” (Interview INB4). An often-cited problem is that corporate actors and NGOs have different skills and speak a different language, creating a need to help build partnerships. The IICA sees itself as being uniquely positioned to create those partnerships.

Finally, a third central role of the IICA is to collect and analyze data on the implementation of CSR programs. This is an ongoing project and will reveal its most important results in the coming years. The IICA, therefore, has several central roles as a think tank, a consultancy, and an implementing actor. Though my findings cannot be generalized to the entire organization, some individuals within IICA have a very optimistic vision for the role that IICA can play in transforming the entire system of welfare provision in India.

This vision can roughly be sketched out through the following example, which was given to me by one interviewee employed by the IICA. Imagine that there is a government education program in which 100 rupees is spent per child to achieve a certain set of desired results. Because of the high degree of leakage within government welfare schemes, only 20 rupees ultimately reaches each intended beneficiary (the rest is syphoned off during the various stages of implementation). Now imagine that a company develops a CSR project which is going to set as its target the same results as that government program. Perhaps the CSR project will partner with government at a certain point of implementation, or perhaps the company will first develop a pilot project, test it, and if the test is successful, will offer the project to the government as an implementation model. The ultimate result that can be achieved through the company’s involvement (which amounts to 2 rupees per child) is that the amount reaching the final
beneficiary will increase from 20 rupees to 40 or 50 (not simply the original 20 plus the 2 spent by the company). In other words, the expectation is that the introduction of CSR funds can have far-reaching consequences.

However, when pressed for further information on specifics, the interviewee could not explain what the precise process would be or what might be some preconditions for success. The chains of accountability also remain opaque within this vision. The company still remains primarily answerable to its shareholders, while the government is, in theory, accountable to the beneficiaries. Since this latter chain of accountability has not ensured the success of government programs thus far, it is not clear how the proposed changes would be an improvement. Ultimately, my interviewee concluded that it would be up to NGOs to ensure that the voice of the people is heard. However, since the increasingly worsening conditions for NGOs in India are pushing many of them to become service providers (and many are turning towards companies to act as implementing partners for CSR programs), it may be too hopeful to expect them to continue to be the primary watchdogs of both government and corporate actors.

It is perhaps most apt then to end this discussion of IICA with a quote from a prominent civil society activist in India: “Let me say that IICA have an exaggerated notion of their own importance. Because: A) if you add up all the CSR money, it will add up to very little; and B) what gives [them the idea] that if they can’t run their companies well, they can run government better…” (Interview INB23) It is still too early to tell how IICA will succeed in fulfilling its role within the bureaucratic apparatus of India. As these discussions reveal, its role is primarily shaping into one of facilitator. Companies retain a high degree of voluntariness with respect to their CSR programs, and given that IICA staff can also work for the private sector creating potential conflicts of interest, the mechanisms of accountability are likely to remain opaque.

In sum, this discussion demonstrates how the GOI has sought to institutionalize the corporate sector’s role in the socioeconomic development of the country. Despite being unique in actually legislating CSR, this discussion suggests that India is establishing a liberal CSR regime. The legislation continues to give corporate actors significant say over how they ultimately engage in welfare provision. State actors can still try to influence companies to spend CSR funds in
specific ways (for example, companies may face pressure from government actors to fund their
pet projects). However, there are no official mechanisms for doing so: rather, this type of
influence is likely to take the form of political (and potentially less than legal) negotiations.

This story, predictably, is not black and white. The Companies Act 2013 does require companies
to make certain institutional changes with respect to CSR, including the creation of a CSR
department that reports to the Board of Directors. This particular requirement does have the
potential to change CSR practice in the future because it can change internal company dynamics,
giving a greater voice to CSR practitioners within their own companies. Nevertheless, this does
not reduce the freedom of companies to choose their CSR programs, as long as they follow
Schedule VII, nor does it signal an effort to take CSR decision-making away from companies. It
simply strengthens the importance of CSR within companies and is consistent with the
government’s claim that companies have a responsibility to engage in socioeconomic
development. The Indian state does want companies to take that responsibility seriously.
However, this desire does not extend to a concerted government effort to control the nature of
that involvement.

The broader behaviour of companies is left to the voluntary realm of ‘business responsibility’,
which is covered by the *National Voluntary Guidelines on Social, Environmental, and Economic
Responsibilities of Business*, published in 2011. The National Voluntary Guidelines (NVGs)
establish nine principles, which are meant to guide the behavior of companies. The NVGs begin
by emphasizing the importance of laws and regulations, stating: “the Guidelines assume that
compliance with the laws of the land is necessary for a business to operate, and this is non-
negotiable” (National Voluntary Guidelines on Social, Environmental, and Economic
Responsibilities of Business, 2011, p. 28). After establishing the nine voluntary principles that
companies ought to follow, the Report goes on to annex a table which on the vertical axis lists
existing laws, and then matches them to the principles (listed on the horizontal axis). The table
therefore establishes that by following the nine voluntary principles, companies will in fact be
following existing laws. This inherent tension suggests that even the authors of the NVGs, in this
case CSR practitioners and bureaucrats within the Ministry of Corporate Affairs, do not count on
the existing legal and regulatory mechanisms to enforce compliance with written laws.
As a result, the broader institutional framework for holding companies accountable for their actions lacks robustness. The fear of some CSR practitioners is that this will allow a company to engage in behaviour that has negative long-term consequences for the country’s development (e.g. environmental degradation), while still being perceived as a good corporate citizen because of its CSR contributions. Summarizing this, one sustainability expert in charge of organizing the CSR and sustainability programs for one of the country’s largest business associations, noted: “I think we lost the opportunity and pushed ourselves ten years back” (Interview INA6).

This section has demonstrated how the state has promoted CSR and has sought to institutionalize it. The focus of such efforts has been on CSR as development, with the state primarily supporting company involvement in social welfare provision rather than CSR in a broader sense (i.e., responsible business). This is consistent with the legacies of trusteeship and the strengthening of the norm of shared business/state responsibility. State policies are also reflective of current political interests. CSR legislation was passed prior to an election in a political environment in which the incumbent government wanted to create the impression that it was holding corporate actors accountable for their behaviour. At the same time, the design of the legislation adopted seeks not to alienate support from the corporate sector. Given the history of Indian philanthropy and trusteeship, many of India’s large companies were already engaged in the types of activities listed in Companies Act 2013. Nonetheless, the legislation does serve to further institutionalize corporate involvement is social welfare provision in the long run. Newer companies, which may not be as committed to trusteeship as some of India’s large family-owned businesses, now face legislative requirements to engage in CSR.

2.2 Brazil: The State’s Promotion of CSR

Brazil and India both promote corporate involvement in development to a degree. As Chapter 2 established, this is a characteristic they share with many countries in the Global South. Brazil’s efforts to promote CSR, however, have differed significantly from those of India – the Brazilian state has sought to retain its role as the primary organizer of social welfare provision. It has also been reluctant to share responsibility for delivering collectively desirable goods with corporate actors above and beyond efforts that the state can control more directly.
The state’s efforts to promote CSR began significantly later in Brazil, dating approximately to the mid-1980s and the Sarney Law, which provided tax exemptions for contributions to cultural projects. The state did previously encourage corporate involvement in social welfare provision in a limited manner through existing corporatist arrangements. The s-system was established during the 1940s and includes educational institutions and community centres that were established for individual industries, and through the cooperation of government, industrial associations, and labour unions. Designed to correspond to different segments of industrial production, the s-system institutions work to “improve and promote employee well-being in areas such as health, leisure and vocational training” (Boschi R. R., 2013, p. 200). These institutions still exist today and are funded through a complicated system of contributions from employees, companies and the government. The use of some of these institutions is no longer limited to employees and they are open to the general public. Though separate from CSR, companies that are part of the s-system continue to give funding towards what are in essence social programs.

Following democratization, there were also efforts to promote what is often referred to in Brazil as the ‘third sector’. Before coming to power, Cardoso published this intention in his work, Mãos à Obra Brasil (Set to Work Brazil) (Cappellin & Giuliani, 2004), which sought to place some emphasis on society, including the private sector, as a central actor in reducing the legacies of inequality. The response of the business sector was to increase the number of foundations operating in the country. This approach also shared an ideological affiliation with the perspectives held by a number of Brazilian entrepreneurs, many of whom envisioned a business role in reducing inequality.

Cardoso sought to widen the web of responsibility for social welfare provision away from a nearly singular focus on the state. With the election of the PT in 2002, the emphasis on the state returned, and while more recent efforts to promote corporate involvement in social welfare provision are not directly embedded within surviving corporatist institutions, they emphasize a strong role for the state. The primary mechanisms that the Brazilian government has adopted for promoting the corporate sector’s role in social welfare provision include taxation policies, TAC agreements, and the lending policies of the country’s development bank, BNDES.
In terms of tax incentives, one of the first attempts to incentivize corporate spending on CSR was the *Rouanet Law* (Law 8.313.00), passed by then President Fernando Collor in 1991. The Law concerns corporate spending on cultural projects.\(^{88}\) Previously, a public funding mechanism existed, but by the 1980s which were characterized by high macroeconomic instability, the government sought to change its approach. In line with the government’s goals of privatization and market deregulation, it sought to develop a means by which corporate actors would take over the burden of funding the arts. The *Rouanet Law* was meant to replace an earlier similar law, the *Sarney Law*, which came into effect in 1986 but was criticized for lacking transparency. The *Rouanet Law* was promoted as an improvement on the *Sarney Law*, but according to Durand et al. (1996, p. 30), it reflected Collor’s “extremist neoliberal stance, believing that the market would take the place of government and would stimulate culture in Brazil.”

The Law allows tax exemptions for companies contributing to cultural projects. An individual can contribute an amount up to six percent of what they owe in taxes, while companies can contribute up to four percent.\(^{89}\) *Rouanet* also introduced prior approval for projects that must be granted by a committee of representatives of the Ministry of Culture (Projetos Incentivados, 2013). This is considered part of the National Cultural Programme (Pronac), which seeks to fund cultural projects through private funding, but with the state engaging in deciding which projects are eligible for that funding. Thus, given the macroeconomic situation in the country following democratization, the government sought to pass the responsibility for funding artistic projects onto the private sector in the hope that companies would choose to spend above and beyond what was covered by tax exemptions.

Not long after the passage of the *Rouanet Law*, which only provides for federal tax exemptions, similar legislation was passed at state and municipal levels. As Durand et al. (1996) show, all of

\(^{88}\) The funding of cultural activities is perhaps not a typical role of the welfare state, yet it is closely related to other welfare functions. In Brazil, while mechanisms for supporting corporate funding of cultural projects may have emerged first, these mechanisms were subsequently expanded to include activities more typically associated with the welfare state.

\(^{89}\) It should be noted that donations are treated differently from sponsorships. For more information, see (Council on Foundations - Brazil, 2015).
these laws share certain characteristics. Firstly, there are few cases in which companies can cover the full costs of a cultural project through tax exemptions and are expected to cover a portion of the cost. Secondly, the projects applying for funding are meant to be examined by a committee of government representatives and members of unions and/or other associations of artists. Other characteristics include clauses to prevent conflicts of interest, stipulations that projects cannot be rejected because the committee deems them to lack artistic merit, and clauses which state that the approval of a project does not guarantee that the project will ultimately receive financing.

The government thus seeks to ensure that recipients receive prior government approval, though the government does not decide which of the approved projects will ultimately be funded. There was not much debate about the Law at the time of its passing. This suggests that there was a general agreement that during a time of macroeconomic instability, the responsibility for funding cultural activities should be passed onto corporate actors. However, the Rouanet Law has faced similar criticisms to the Sarney Law. Critics have pointed out that firms use Rouanet tax breaks to sponsor cultural works for the purposes of advertising, and that recipients can be well-known artists whose work is profitable without such help.

Given that companies are motivated by a desire for profit, it is not surprising that they use their participation in Rouanet projects to boost their marketing. Practically, this can mean that marketing departments are the ones making decisions about what is funded. According to one commentator who runs the CSR programs of one of the country’s largest beverage producers: “One [important] thing is that basically what companies do in general, they retain all Rouanet credit, they give it to the marketing area, so that marketing basically uses it for shows, and things related to marketing rather than social causes” (Interview BRB11).

It is not clear how much companies spend on artistic projects over and above what is provided for under the Rouanet Law. Research published in 1999 does show a steady increase in corporate spending under Rouanet, but it peaks in 1997 and falls in 1998 following the global recession.
This is consistent with the view held by many of the individuals I interviewed – during times of economic downturn, investment in any form of CSR is likely to be curtailed.  

Incentives for other investments in social activities fall under the country’s main tax code, the Imposto de Renda sobre Pessoa Jurídica (IRPJ). This encourages spending in several categories. Beyond Rouanet, deductions are available to corporations and individuals who contribute to: (i) non-profit private legal entities certified by the Council of Public Policies for Children and Youth, or to the National Fund for the Elderly (together, these amounts cannot exceed 1% of a corporation’s tax base operating profit); projects approved by the Ministry of Sports (up to 1% of a corporation’s tax base operating profit); and (iii) the National Support Program to Oncology Care and the National Support Program to Health Care of Persons with Disabilities (up to 4% of a corporation’s tax base operating profit) (Council on Foundations - Brazil, 2015). On top of this, according to Law 9.249/95 Article 13(2), organizations which have OSCIP or Public Utility status are eligible to receive up to 2% of a company’s tax base operating profit (Council on Foundations - Brazil, 2015). In other words, corporations can either sponsor projects which are listed above, or they can donate funds to organizations which have OSCIP or Public Utility Status. There is an overall limit of 6 percent for deductions for the first two categories and a separate limit of 4 percent for the last category (Council on Foundations - Brazil, 2015).

The designation of OSCIP (Organizações da Sociedade Civil de Interesse Público), or Public Interest Civil Society Organizations, was created by the Nonprofit Law (No. 9790/99), passed in 1999. The activities that an OSCIP can engage in include social assistance, the promotion of culture, charitable free education and health care, and environmental protection (for a full list, see (Council on Foundations - Brazil, 2015)). An OSCIP is required to use all of its assets to pursue its stated public purpose and can also do so in partnership with government. Through such partnerships, an OSCIP can receive public funds to execute public interest projects. A Public Utility Entity (Declaração de Utilidade Pública or DUP) has more stringent

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90 The precise degree to which this is the case can vary. For more established companies with greater resources and institutionalized CSR practices, an economic downturn may not have an immediate impact on CSR spending.

91 The discussion here has been limited to tax incentives available at the federal level, but similar incentives also exist at state and municipal levels.
requirements. Such an organization must have one of a specific set of objectives: the promotion of education, scientific research, culture, or philanthropy (Council on Foundations - Brazil, 2015). A DUP must also report its activities to the Ministry of Justice every year and its status may be revoked by the Ministry if it ceases to promote its intended purpose.

Two other notable mechanisms for promoting CSR in Brazil are adjustment of conduct agreements and the funding requirements set up by the Brazilian Development Bank (BNDES). While the two operate differently, similarly to CSR tax breaks, both mechanisms ensure that the state has some degree of control over CSR activities. Moreover, particularly in the case of TAC agreements, these mechanisms are consistent with an understanding of CSR that goes beyond corporate involvement in social welfare provision but also includes considerations of how a company does business. As such, these are consistent not simply with the more statist policies of the Brazilian government, but also the broader understanding of CSR that has emerged in Brazil and which includes considerations of company behavior.

An adjustment of conduct agreement, or termo de ajustamento de conduta (TAC), is an arbitration mechanism which is used to encourage companies to alter their behavior. In a situation where a company has broken the law in some form, the public prosecutors’ office can initiate the equivalent of a class action lawsuit. The lawsuit can then be settled out of court through the creation of a TAC which obliges defendants to pay either a monetary fine or to change their behavior (Coslovsky, 2014). In essence, a TAC allows a company to avoid a costly criminal case that may have an uncertain outcome. Though it is still most commonly used for environmental violations, TACs are becoming increasingly popular. The setup of TACs suggests a mix of regulation and the promotion of voluntariness that is associated with CSR.

This can be seen in an interesting case study developed by Coslovsky (2014) which considers the effects of the creation of a TAC in the pig iron industry in Brazil. In order to deal with labour violations (pig iron production requires the use of charcoal, and the Brazilian charcoal industry employs approximately 10-12,000 workers, many of whom have historically worked in nearly slave-like conditions (Coslovsky, 2014, p. 195)), a TAC was signed between the prosecutors’ office in 1999 and iron smelters, promising to improve labour practices. The TAC did not
immediately result in significant changes, and when companies faced further potential charges in 2004, they came together to form a private monitoring body, the Instituto Carvão Cidadão or ICC, which would help smelters to comply with the promises made in the TAC (Coslovsky, 2014). The ICC employs staff who are trained to perform many of the same functions as labour inspectors, and charcoal producers who are found guilty of labour regulations lose the ability to keep supplying smelters. As Coslovsky (2014) points out, there has been a number of positive results. The creation of the ICC increased the industry’s ability to self-regulate, which has resulted in the improvement of labour conditions for many charcoal workers.

While Coslovsky’s goal is to describe how labour regulation has evolved in Brazil, the example also highlights how TACs can be an effective tool through which state authorities can trigger desired changes in corporate behavior. Companies, in turn, have an interest in signing and implementing TACs in order to avoid costly criminal proceedings. This can arguably improve the capacity of the state to fulfil its regulatory role, while also allowing companies some leeway over how to change their behavior.

Finally, the Brazilian Development Bank (BNDES), a public institution, has used its lending policies to also support CSR activities. The BNDES, founded in 1952, is an immensely important lender and provides more than twenty percent of total credit to the private sector (Lazzarini, Musacchio, Bandeira-de-Mello, & Marcon, 2015, p. 237). This is particularly the case for larger companies, and around sixty percent of BNDES’ loans target large firms (with revenues over USD 130 million) (Lazzarini, Musacchio, Bandeira-de-Mello, & Marcon, 2015, p. 240). When BNDES lends companies funds for projects, it can earmark a portion of those projects for social or environmental development. In some cases, this money need not be paid back: BNDES states that: “investments of a social, cultural (educational and research), environmental, scientific or technological nature, need not be financially reimbursed to the BNDES” (BNDES, 2016).  

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92 As one commentator put it, however, how this money is spent by a company can vary. In the case of his employer, during negotiations with BNDES he insisted that BNDES immediately give the funds earmarked for socio-economic development to the company’s foundation, rather than the company itself. This reflects the fact that sometimes disagreements can arise within companies about funding for social projects.
The funds earmarked by BNDES can sometimes provide a significant portion of the granted loan. For example, in 2012 when BNDES approved a 10.8 billion dollar loan to construct the Belo Monte hydroelectric dam, 11.2 percent of the loan (or 1.5 billion dollars) was earmarked for social and environmental programs (Renzler, 2012). Given the Bank’s mandate to contribute to the socioeconomic development of the country, this emphasis is not surprising. However, its support for the Belo Monte project came under severe criticism. Plans to build the dam had existed for decades, and debates continued into the start of construction. Critics argued that local indigenous groups had not been properly consulted, and numerous judicial actions were brought forth in an attempt to stop the construction of the dam. This criticism was not limited to the consortium of companies building the dam (Norte Energia), but to the government as well. In this example, the provision that BNDES funds be spent on social and environmental programs begins to resemble an effort to aid the consortium in obtaining a social license to operate.

In sum, legislative and bureaucratic mechanisms are designed to channel CSR funds towards programs and projects supported by the state. Brazil has therefore sought to develop a more statist CSR regime, one in which the state retains much of the responsibility for social welfare provision, and one in which state promotion of CSR allows the state to retain some control over the nature of CSR spending. This does not mean that companies cannot (or do not) engage in CSR activities which go beyond those incentivized by the state. However, if a company wants to take advantage of CSR tax incentives, or if it is engaged in a TAC agreement, it must do so in accordance with strict state rules.

In practice, this means that while an Indian company can obtain a stamp of legitimacy as a good corporate citizen by simply spending money on CSR, in Brazil no such mechanism exists. If a company must engage in a TAC agreement, for example, it must meet criteria set out in that TAC in order to fulfill its CSR obligations. Throughout, the Brazilian state retains a higher degree of control over how CSR projects incentivized by the government should look, whereas Indian companies continue to have greater say over their CSR practices.
The overall result is that the state retains its primary role in organizing the delivery of collectively desirable goods, even while supporting some CSR practices. This is consistent with the predominant norm that state responsibility rests with the state, and also serves to maintain and reinforce the state’s authority.

3 The Institutionalization of CSR within Companies and within the Business Community

Chapter 2 established both similarities and differences in CSR in Brazil and India. Similarities include how CSR practices are organized – for instance, companies can develop in-house capacity, they can develop separate foundations, or they can establish partnerships with NGOs and/or government actors. In both cases, CSR practices are more prevalent amongst public rather than private companies. Finally, CSR practitioners describe some similar challenges, including developing relationships and potential partnerships with NGOs since companies retain an overall adversarial relationship with civil society. Chapter 2 also examined some important differences in CSR practices, including how the very language of CSR is used in Brazil and India. It showed that CSR largely refers to community development in India, with the term responsible business being adopted to refer to broader questions of how a company does business. In the case of Brazil, private social investment is more concentrated on community development, while CSR is understood more broadly. In both contexts, these terms remain points of contestation.

Another difference is the dominance of family business elites in the CSR landscape in India. This can be contrasted with Brazil, where entrepreneurial business elites were more responsible for the push for the greater acceptance and institutionalization of CSR following democratization. Finally, companies in India simply seem to accept that they have a broader set of responsibilities for contributing to the country’s development. Companies in Brazil still view this as primarily falling under the purview of the state. This is reflected in the scope of activities taken on by companies, with Brazilian CSR largely focusing on education, while Indian companies also focus on healthcare and poverty alleviation programs.

In this section, I briefly trace how CSR has been institutionalized within companies and the business community. In conjunction with the arguments developed in the previous chapters, this allows us to account for the divergence described between Brazil and India.
3.1 Overview of the Evolution of CSR in India

In her book on the rise of CSR in India, Pushpa Sundar (2013) introduced an often-cited breakdown of the evolution of CSR, which includes four phases: merchant charity (1850-1940); corporate philanthropy (1941-1960); the movement towards corporate social responsibility (1960-1990); and finally, what Sundar refers to as the period of ‘globalization and beyond’ (1990-present). However, while these phases characterize different types of CSR practices, they also correspond to certain shifts in the relationship between business and the state.

Philanthropy during the early period of industrialization (1850-1941) consisted of charity for largely religious reasons. In particular, the Gujarati and Parsi business communities of Bombay engaged in various philanthropic activities, such as promoting education and establishing scholarships. Some industrialists such as Jamsetji Tata also experimented with labour welfare, instituting pension funds (Sood & Arora, 2006).

During the second phase (1941-1960), which Sundar calls the ‘golden age’ of Indian capitalism and philanthropy, these practices matured under the influence of Gandhi’s promotion of trusteeship. Several business houses including those belonging to the Tata and Birla families became involved in promoting education and the building of healthcare facilities (Chakrabarty, 2011). Though these efforts were initially targeted at their employees, they tended to serve local communities as well. During this period, domestic industrialists also started to play important roles in the economy, even while the state opted to adopt a centrally planned structure following independence. This was reflected in the relationship that emerged between industrialists and the Congress Party. For example, during the inter-war period Congress began to support the idea that India should have a centrally planned economy, though Nehru did not rule out a role for private capital, noting: “Private enterprise has certainly not been ruled out but it has to be strictly controlled and co-ordinated to the general plan” (Nehru, 1940, cited in Lockwood, 2012: p. 101).

A widely held view amongst scholars of Indian political economy is that many of India’s industrialists believed that India needed a strong sovereign government that would support the country’s development (Chibber, 2003; Lockwood, 2012). Lockwood (2012) notes that many of
them grew tired of the obstacles to their business put up by the British government and recognized a link between their own interests and the nationalist cause. The main issue, understandably, was one of state intervention in the economy. According to this interpretation, by the end of the 1930s, India’s indigenous businessmen were in favour of state economic planning, and even accepted state ownership of certain key industries (e.g., defense). G.D. Birla referred to this as the ‘middle way’, meaning that private enterprise would function within limits and subject to planned state authority (Lockwood, 2012).

In 1942, prominent Indian industrialists including J.R.D. Tata and G.D. Birla founded a post-war Economic Development Committee. The Committee produced the Bombay Plan (A Plan for Economic Development for India), which proposed extensive state intervention in the economy (Kohli, 2004; OECD, 2015; Lockwood, 2012). The British viewed the Plan as a conspiracy, while the Communist Party of India criticized it for not considering the issue of income redistribution (Lockwood, 2012).

In line with common interpretations of the Plan, Lockwood (2012) argues that the Plan reflected Indian industrialists’ view that the state had a role to play in the economy. Chibber (2003; 2006) takes a much more sceptical view. He argues that the Bombay Plan was in fact a move by more canny members of the industrial class who were cognizant of the need to maintain their legitimacy in the face a popular upsurge in India (Chibber, 2003). According to Chibber (2003), the backers of the Plan supported it precisely because they wanted to blunt the calls for socialist planning. He further suggests that this is supported by historical developments—between 1945 and 1947, in the immediate aftermath of independence, Indian capitalists fought against a disciplinary planning regime.

In response to Chibber, Lockwood (2012) argues that if the Plan was a mere ruse by India’s capitalists, it was an elaborate one. He states that the Plan can be seen as an effort by India’s industrialists to have input into India’s (eventual) independent economic policy. Their support for the nationalist cause did not necessarily arise because they wanted to represent the nation’s good, but because the nation’s good (i.e. independence) coincided with their own interests.
Industrialists needed to secure their own voice within a newly independent economy by creating a closer relationship with the state.

Lockwood’s defence, however, doesn’t do justice to one of Chibber’s main arguments. Chibber posits that:

The Indian capitalist class did not support a developmental state in the relevant sense. The appearance of agreement between state managers and industrialists on the issue of ‘planning’ was a mirage. Underlying it were two very different conceptualizations of what it entailed: for business, it meant support for the subsidization process… for state managers, its meaning was closer to a regime of disciplinary planning. (2006, p. 30)

In other words, one possible interpretation of industrialists’ backing of the Plan is that they wanted state support and planning insofar as it enabled the growth of Indian business but did not seek to control it.93

Chibber’s interpretation, however, is not inconsistent with industrialists’ increasing adherence to trusteeship. As the previous chapter argued, underlying support for trusteeship was not only an acceptance of the notion that business people have a responsibility to give back to communities, but also a degree of self-interest given the negative view of business in India in the post-independence period. An adherence to trusteeship (and CSR today) also serves to dull the calls for regulating corporate behaviour in a broader sense.94

As a result, this emphasis on appearing to support national interests combined with a dedication to trusteeship in the post-independence period. These efforts allowed the private sector to work to improve its reputation (Rudolph & Rudolph, 1987; Mathur, 2013). During the ‘golden age’ of philanthropy, community development practices became more institutionalized, particularly

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93 Chibber (2003) also argues that this opposition from India’s industrialists served to undermine the establishment of a developmental state, therefore producing negative long-term consequences.

94 Most definitions of CSR agree that CSR is meant to be voluntary, but this voluntariness need not assume that CSR is simply driven by altruism.
within family foundations. However, the focus of such efforts was primarily on giving to communities affected by company operations rather than on those operations more broadly.

During the third phase of the development of philanthropy in India (1960-90), the nature of the state’s involvement in the economy had the effect of containing private business operations. By the 1960s, relations between the state and Indian industry had soured. Taxes were high, and as the previous chapter discussed, the use of measures such as licensing served to fragment the business sector (Sundar, 2013). As a result, Rudolph and Rudolph (1987) argue that business became a more marginal actor vis-à-vis the state.

At the same time, the image of business became tarnished in a series of scandals, many of which concerned malpractice associated with not only business, but also with charitable organizations. For every genuine trust or foundation that had been established, there were many that were simply a ruse. While some industrialists may have come to accept trusteeship more sincerely, others were more interested in the appearance of being good trustees (Sundar, 2013). These developments created a great deal of cynicism and pushed the business community to move away from a more singular focus on charitable giving to focusing on the development of communities. Companies also began to recognize that contributing to development is one part of a larger focus on socially responsible behaviour. Viewed in a more cynical light, many in the business community began to realize that a more circumscribed focus on philanthropic giving was no longer sufficient to protect company reputations. The result was what Sood and Arora (2006) refer to as the move from family business philanthropy to corporate philanthropy, which began to take place in the 1970s.

The move towards corporate philanthropy was also spurred by growing social problems (as the previous chapters showed, by the 1970s it was becoming clear that the promises of more equitable development were not becoming fulfilled) and changing state policies. As was discussed, new taxation policies in the late 1970s allowed for tax exemptions for programs
focusing on rural development. This served to further incentivize company engagement in social welfare provision.\(^95\)

Despite this shift towards corporate philanthropy, the story of CSR in India still remained one of family businesses taking the lead. Important industrialists, including J.R.D Tata, Kasturbhai Lalbhai, and Ramakrishna Bajaj, who had also been proponents of Gandhian trusteeship, played an important role in increasing the business community’s consciousness of their social responsibilities (Sundar, 2013). J.R.D. Tata, for example, amended the articles of association of all Tata companies to include that the “company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders and the local community” (cited in Sundar, 2013, pp. 185-6). The programs adopted largely focused on three areas: population growth, city improvement, and rural development. (J.R.D. Tata, for instance, argued that since many companies were located in urban areas, their contributions to community development should focus on the needs of cities.)

Sundar (2013) shows that the results of these efforts were mixed. On the one hand, such engagement was still limited to a small portion of Indian industry. When he addressed an annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI) in 1978, Prime Minister Morarji Desai noted that only 70 companies had responded to his call for industry to contribute to rural development (Sundar, 2013, p. 193). Their potential to contribute, he argued, was much greater. On the other hand, those companies that were involved in socioeconomic development further developed their operations. One example is the house of Bajaj, which systematised and expanded its rural development projects both through the work of its trusts and its companies (Sundar, 2013).

By the 1990s, however, many of the older business leaders who had spearheaded philanthropic efforts had passed away. As Sundar (2013) notes, only some of their offspring have continued to provide such active leadership in promoting corporate engagement in socioeconomic development. Nonetheless, they continued the work that had been begun by their families,

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\(^95\) Citing mismanagement, the state withdrew these incentives in 1983-4 (Sundar, 2013).
meaning that by the 1990s, such corporate engagement had become institutionalized within these organizations. Leadership also emerged from new quarters. Sundar (2013) shows that newly successful entrepreneurs who had started from little wanted to give back to society. Together with progressive CEOs of some of India’s older professionally managed companies and the CEOs of some multinationals, this new crop of leaders began to develop community projects. Owing to both this new engagement, and the continuing work of companies such as those belonging to the Tatas, by 1990 nearly all of India’s largest 100 companies had some form of philanthropic program designed to contribute to socioeconomic development.

Finally, it is widely agreed that CSR became more ‘institutionalized’ after 1991. Though reflecting global trends, Sundar (2013) argues that this change was inspired by transformations within India itself, particularly its moment of opening in the early 1990s. While the year 1991 is often put forward as the year this opening began, the pro-business shift of the Indian state started earlier. In the 1980s, the government encouraged the expansion of the private sector while withdrawing constraints that had sought to limit private enterprise in areas reserved for public companies (Kohli, 2012). At the same time, labour activism was discouraged, as was new investment in public sector enterprises. These changes were intensified by Rajiv Gandhi, and a financial crisis in 1991 precipitated further adjustments. Increasingly, India began to open towards the world, devaluing its currency, reducing tariffs and liberalizing the investment regime (Kohli, 2012).

India, Kohli notes, still “remains an economy that is mainly driven by Indian producers producing for the Indian market” (Kohli, 2012, p. 36). While there was initial resistance from some producers who had benefitted from the previous system of protectionism, many of these changes were made as executive decisions, and were pushed through by a narrow coalition. The long-term result, however, has been the growing political and economic power of private business (Kohli, 2012; Mathur K., 2013).

Business actors have sought to increasingly wield that power, both indirectly (by seeking to influence political decision-makers) and directly (through the operation of business associations such as CII and FICCI). In her overview of developmental business associations, Sinha (2005)
argues that these associations have not only developed organizational and functional capacity but also political capacity: that is, the capacity to strategically respond to the specific characteristics of the political system. These organizations have now come to hold both formal and informal power, often being treated as a “junior partner of government” (Sinha, 2005, p. 15), and have increasingly sought to promote the adoption of CSR amongst their members. They were included in the consultation process surrounding the Companies Act 2013, and since its introduction have also been central in clarifying requirements for companies.

At the same time, however, the position of labour has become more precarious. Efforts to implement changes to existing labour laws have faltered, and companies (both public and private) have increasingly turned towards contractual labour. Fewer legal protections exist for contractual labour, while calls have been made for companies to self-regulate by adopting responsible business practices (Sood, Nath, & Gosh, 2014).

Together, these changes suggest a shift in the business/state relationship away from the state as the primary economic actor, at the same time as the political power of business has grown. It is within this context that CSR has become further ‘institutionalized’. Since 1991, the private sector has grown significantly, and the “growing profitability of many corporations increased their willingness and ability to give; this coincided with a surge in the public’s and government’s expectations of business” (Sood & Arora, 2006, p. 11). The increasing presence of civil society, placing pressure on businesses to take on socially active roles, has meant that companies now have a stronger interest in expanding their involvement in development.

Finally, as was briefly discussed, India has had to respond to a global movement pushing not just towards a deeper commitment to CSR, but also towards connecting CSR and development. This includes the Global Compact, the Global Reporting Initiative (GRI), various new codes and

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96 Elsewhere, Sinha (2016) also notes that these changes triggered a criticism of the importance placed on the state in Rudolph and Rudolph’s conceptualization of ‘involuted pluralism’. Their response has been to argue that these economic shifts have allowed the states to emerge as entrepreneurs, and inter-state competition has come to define Indian political economy (Rudolph & Rudolph, 2001). This has meant that there is great deal of regional diversity in terms of economic growth.
standards (for instance, SA 8000 for labour practices, and ISO 9000 for environmental management), as well as the Millennium Development Goals (MDGs) and the subsequent Sustainable Development Goals (SDGs). This has not had the same effect on all companies. Large Indian companies wanting access to western markets have had to make greater commitments to international standards. Some SMEs that fall within supply chains of such companies or of MNCs may also face pressures to adopt CSR. (The degree to which such pressure is effective can be questioned, particularly where a lack of oversight persists.)

Nonetheless, internal pressures have arguably been more central in pushing CSR, though it can be difficult to draw a distinct divide between the two. External pressures are filtered through already existing attitudes towards CSR and through domestic institutions and can shape what ultimately become more internal forces pushing for CSR. Schedule VII of the Companies Act 2013, which sets out how companies ought to spend their two percent, was drawn almost directly from the MDGs. Finally, while purely reporting mechanisms (both international and domestic) have had an impact on companies, by legislating corporate spending on CSR projects, the emphasis has very much been placed on companies’ contributions to development.

Since many large Indian companies were already committed to spending on CSR projects, the introduction of legislation on CSR was more readily received. As one commentator noted: “Companies will say, this is just another tax, we have already been doing this, we just didn’t call it this necessarily. So, again, those who are doing something will keep on doing. Others who want to do, but don’t know how, will still be at a loss” (Interview INA15). In other words, many larger and more politically powerful companies were more ambivalent towards the legislation since CSR, understood as community development, had already been institutionalized to a degree within these organizations.

Throughout the period beginning in 1991, CSR has also been more present within public companies which already faced requirements to spend between 0.5% and 5% of profits on CSR as early as 2010 (their policies were amended in 2014 to comply with the Companies Act (Department of Public Enterprises, 2014)). Public companies are in part viewed as an extension
of the state, and as one CSR manager at an Indian public company noted, “we are accountable to Parliamentary committees and they can ask any question under the sky” (Interview INB11).

The further institutionalization of CSR has not only been supported by state policies, but also by the continuing need to improve the corporate sector’s reputation because of the continuing ‘trust deficit’ (Sundar, 2013) between business and society. There have been numerous business scandals in recent years (an early prominent example is the Bhopal disaster, for which Union Carbide (now Dow Chemicals) was responsible, while a more recent example is the Satyam Computer Services scandal). Scandals have also haunted prominent companies which have generally been viewed positively by the Indian public. For example, in 2006 12 inhabitants of a village in Odisha were shot protesting the building of a boundary wall for a Tata Steel project (Chakravarti, 2014, p. 160). The protests were caused by a dispute regarding the land acquisition process for the plant.

Civil society has played an important role in bringing such scandals and conflicts to light. This has in turn pushed companies to improve their commitment to CSR and responsible practices (or at least to create the appearance of doing so), as well as pressuring the Indian government to do ‘something’ about making companies more responsible. Some commentators interviewed for this project believe that the Congress government passed the CSR provisions of the Companies Act in an effort to show the electorate that it could hold business more accountable. A prominent political economist notes that:

Business in India has not commanded a very high reputation – most of business was seen as moneylenders and profiteers, etc... So today, even with the liberal economic reforms, still people feel that business is not doing enough… Studies also show that businesses

97 The Bhopal disaster occurred in 1984 at the Union Carbide India pesticide plant, with a gas leak releasing deadly gases and chemicals into the surrounding villages. Over 500,000 people were exposed, while estimates on the death toll differ. Debates remain on the cause of the leaks, but the Indian government has argued that the leak was caused by improper maintenance by Union Carbide. The Satyam scandal dates to 2009, when the former Chairman confessed to falsifying the books, inflating profits, and transferring money to family accounts, without the knowledge of the company Board (Sundar, 2013).
that have recently grown so fast have also grown because they have taken advantage of the crony capitalism in India. Indian economic reform did nothing to assuage these kinds of feelings, rather they were strengthened. (Interview INA1)

Overall, this discussion suggests that the push for CSR practices to become more institutionalized within Indian companies intensified in recent decades. My interviews reveal that this institutionalization has begun to happen, particularly amongst larger companies. However, this is still a top-down process, and surveys show that the initiator of CSR policies across different types of companies is still largely the CEO (except in the public sector, where government policies determine CSR policies) (PiC, 2004). This trend is consistent with the strong role that key industrialists have played in promoting trusteeship and CSR historically.

Much of the economic growth in India since 1991 has centred in ‘newer’ sectors, including services (the IT sector being the prime example). This is contributing to the creation of a new entrepreneurial class that, according to Sundar (2013), has different attitudes towards CSR and philanthropy compared to the old established industrial families. Sundar (2013) describes these new business classes as being far more hedonistic and keen to openly flaunt their wealth. This suggests that while trusteeship played a role in triggering a commitment from individuals towards greater social responsibilities, this does not necessarily resonate in all sectors of the country’s economy today. However, because CSR has now become institutionalized through law (in part because of the history of trusteeship), companies within newer sectors are now legally obliged to also contribute to socioeconomic development.

This suggests that company behaviour today is motivated by a complex set of factors, which combine norms and interests. Trusteeship continues to resonate, and as the previous chapter made clear, the notion that responsibility should be shared between state and corporate actors has strengthened. These norms have now become codified in law – as a result, even companies that may be less open to trusteeship or CSR, if they are covered by the Act’s provisions, need to comply. Together with pressures from civil society, such state policies therefore influence corporate interests in favour of CSR. Companies Act 2013 also changes internal company dynamics by requiring all companies (that fall within the CSR provision) to have a CSR
department, and by insisting that the CSR department must report to the Board of Directors. This elevates the importance of CSR within companies and may potentially reduce, at least in the long-run, the more ad-hoc elements of CSR planning.

The Companies Act was passed in 2013, so it is too early to predict the precise impact it will have on the future institutionalization of CSR. Preliminary results show that companies are creating CSR committees (Jayaram, et al., 2017), and in more than half the cases, these committees have more than the minimum number of three members (as stated in the Act). This is promising. In terms of spending, a report covering 2016 shows that of the top 100 Indian companies, 93 were required to spend 2% of profits on CSR, and these have spent 90% of the money that would be required by those two percent. This resulted in an overall CSR spending of some 9,518 crore (95,180 million) rupees on CSR (Jayaram, et al., 2017, p. 8). This is comparable to the amount paid by the Indian government for one of its flagship social programs the Mid Day Meal Scheme (to which the government committed 9,700 crore (97,000 million) rupees in 2016-17 (Ministry of Human Resource Development, 2016)).

Finally, while CSR is becoming more institutionalized overall, within small and medium-sized enterprises (SMEs), which are a growing part of the Indian economy, and which are not covered by the Companies Act, the picture is much more mixed (Chakrabarty, 2011). However, as some of these companies grow, they may come under the Act’s purview. During my fieldwork I had an opportunity to witness a workshop attended by representatives of a number of India’s large companies, business associations, and SMEs. The SME representatives revealed that in their sector, there is a great deal of confusion regarding CSR and that they hoped that they could receive guidance from business associations and other companies. They were not opposed to CSR, in fact they welcomed it, but remained confused about how to implement a commitment to CSR within their operations.

This discussion demonstrates that CSR as community development is becoming further institutionalized within India, as exemplified in Companies Act 2013. This institutionalization has evolved to the detriment of the larger question of how companies operate more broadly. As a
result, concerns have arisen that companies can receive a stamp of legitimacy simply by spending their two percent even while they engage in questionable business practices.

3.2 Overview of the Evolution of CSR in Brazil

The movement towards CSR had some of its early roots in the 1960s amongst Catholic businessmen in the country, who in 1961 created the *Associação de Dirigentes Cristãos de Empresas do Brasil* (ADCE), a branch of the International Christian Union of Business Executives (Cappellin & Giuliani, 2004). (In 1986, members of ADCE also founded the Funcadao Instituto de Desenvolvimento Empresarial e Social (FIDES), which sought to ‘humanize the firm’ and promote its relationship with society.) Overall, however, until the 1980s, the involvement of companies in socioeconomic development was largely determined through Brazil’s corporatist arrangements. This included the running of the s-system.

As Chapter 2 explained, in the case of Brazil two dominant terms have fallen under the broader CSR umbrella: CSR and private social investment (PSI). While the former has come to concern itself with the broader behaviour of companies, PSI more directly refers to companies engaging in community development. However, there is often overlap between the two terms, contributing to conceptual confusion.

Both CSR and PSI have largely come to the fore in the last two decades. As the previous chapter mentioned, the story of the emergence of CSR in Brazil is a story of several key business entrepreneurs who sought to promote a different mode of engagement between business and the state (Interview BRA15). One of the founders of the CSR movement in Brazil summarizes its history as follows:

*CSR as such started about fifteen years ago in Brazil. It started with a group of businessmen (I was one of them) that created a social organization, that started talking to companies, and showing the need for companies to get involved in the process, in which they would contribute to social (not just economic) development… We started showing examples around the world that this was happening and that it was changing the way companies were acting… We started giving visibility to several of these leaders. This*
involved talking to journalists, so that these people would become models that would be replicated by other companies. (Interview BRA6)

Ideas about the social responsibilities of business really took root during the process of democratization. Starting in the late 1980s, several business organizations emerged and sought to promote the notion that business has a role in the socio-economic development of the country. This movement picked up steam about a decade later as a result of both external and internal pressures. As the above quote indicates, there was a growing awareness of CSR globally, and Brazilian businessmen were introduced to CSR practices in the United States. According to one commentator: “The Kellogg foundation had an essential role to try to organize these big business people around the idea that they need to organize themselves… to think more professionally about this” (Interview BRB1). The Kellogg Foundation started organizing seminars through which businesspeople from Latin America (particularly Brazil) were taken to the United States to become acquainted with US models of philanthropy. Marcos Kisil, one of the individuals working for the Kellogg Foundation at the time, would go on to create the Grupo de Institutos, Fundações e Empresas (Institutes, Foundations and Corporations Group – GIFE) in 1995. GIFE emphasized the role of companies in social development, and it called for ethical investment of private resources in community projects, leading to the emergence of the term private social investment. This increased the visibility of CSR as a concept in Brazil. This visibility was also buttressed by the fact that foreign companies play a broader role in Brazil than in India. As companies in the Global North faced further pressure to conform to CSR practices, the resultant impact reverberated in Brazil.

Two of the entrepreneurs who had taken part in CSR educational trips to the United States subsequently created PNBE (Pensamento Nacional das Bases Empresariais or the ‘National Thinking on Business Foundations) in 1987 (Griesse, 2007). The more leftist elements of PNBE would eventually (in 1998) go on to create Instituto Ethos, which has come to occupy a central role in the promotion of CSR in the country. PNBE, and subsequently Ethos, sought to encourage progressive industrial entrepreneurs and to promote concepts of democracy and citizenship. PNBE initially focused on three main concepts: a national social pact (recognizing that there may be a conflict between social, economic and political interests, they sought to
overcome these by creating a ‘social pact’), development, and control of inflation (Cappellin & Giuliani, 2004). It should be noted that these entrepreneurs could not find support for their efforts within existing peak business organizations (in particular, within the Industry Federation of Sao Paulo (Federação das Industrias do Estado de Sao Paulo, or FIESP)), which they regarded as ‘lethargic’ (Cappellin & Giuliani, 2004, p. 4).

Though the root goals of FIDES (and ADCE), GIFE and PNBE differed to a degree, all sought to promote the greater involvement of business in social development in some form. At the same time, the process of democratization opened up the space for these leaders to promote an alternative conceptualization of the role of business in development. They questioned the existing ‘authoritarian-corporatist’ institutions which had existed for much of the 20th century and sought to promote engagement with emerging civil and popular movements. Their approach therefore represented a reconceptualization of the relationship between business and the state. The resulting clash of these newly formed organizations with existing industrial institutions ended in the “expelling from [FIESP’s] ranks [of] all members affiliated with the PNBE” (Pena, 2014), including its founder Oded Grajew.

Concurrently, the opening up of the Brazilian economy and the inflow of international capital resulted in a “denationalization of industrial elites” (Diniz, 2011, p. 61). Existing industrial associations were largely cooperative with the deep restructuring begun by Cardoso, and despite the fact that certain domestic industries suffered, Diniz (2011) notes that no coalition of ‘losers’ was created. This outcome reflected the deep changes that had been made, and the sense of inevitability about shifting to a new economic model. She concludes by noting that while some segments of the existing industrial elite did find ways to succeed, others “lost their former prestige and influence” (Diniz, 2011, p. 62). The CSR movement provided a means for certain sectors of that elite to regain some of their lost prestige and influence. As an example, a professor at a prestigious business school in Sao Paulo noted that former students in his courses on CSR have often included children of prominent Brazilian industrial families. As certain businesses were pushed to ‘professionalize’ in order to meet higher global competition, key positions were given to individuals outside the family. Family members pushed out of more executive positions have instead been given control of corporate foundations and CSR programs.
The expectation is that such arrangements will continue, with corporate foundations and CSR efforts providing new forms of ‘prestige’ for members of the Brazilian industrial elite.

Beyond this impact on individual industrial families, the emergence of the CSR movement itself also enabled some of its members to have greater influence within the political sphere. While FIESP and most of the established business associations backed Cardoso, more leftist elements of PNBE including Oded Grajew began to back Lula and the PT starting in the mid-1990s. In 1995, Grajew created another business organization, the Brazilian Business Association for Citizenship (CIVES), which went on to explicitly back Lula and the PT’s platform (Pena, 2014). Together with other members of PNBE, CIVES and ABRINQ (another business association, focusing primarily on the toy industry), Grajew created Ethos in 1998. Ethos went on to become the most important organization promoting CSR in the country.⁹⁸

While traditional business elites and institutions seemed more accepting of neoliberal economic influences, the CSR movement was more muted in its support, but rather sought to bring greater attention to issues of social and economic inequality, which had crystallized during the democratization process. Pena argues that:

> It is important to consider that the creation of Ethos and the corporate focus of IBASE were not locally perceived as an advance of neoliberal governance in Brazil. Rather, the contrary was more the case: both CSR and social reporting were viewed as enhancements of civil control over firms and of social awareness for human and political rights, in light of the authoritarian model in place until 1989. (2014, p. 314)

The emergence of the CSR movement is therefore closely linked with the wider spread of civil society in Brazil following its democratic transition, and a movement away from traditional corporatist structures.

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⁹⁸ At the same time, the Brazilian Institute of Social and Economic Analysis (IBASE) began to call for greater social commitment by companies. In 1996, it launched a social reporting and certification initiative, the *Balanco Social* or social balance sheet, which is a standardized format that companies can use to report on their social actions (Sanchez-Rodriguez, 2014).
This initial development of CSR in Brazil provides an interesting example of the interplay of ideas and institutions, as well as the interests of specific individuals within the CSR movement. It is also another example of how external ideas are filtered through existing understandings and institutions. The notion of CSR that came from the United States reflected an emphasis on the ethical behaviour of business and the civic control of companies by society rather than the state (voluntariness is central to North American understandings of CSR). This notion was then picked up by Brazilian entrepreneurs who saw the process of democratization as an opportunity to redefine the business-state relationship. Their promotion of CSR clashed with existing business associations. This proved both a challenge and an opportunity since they were able to carve out a new space for both themselves and for CSR. The resulting creation of new institutions promoting CSR rapidly changed the landscape of business associations in Brazil. Institutions such as Ethos are today more important than older industrial associations such as FIESP.

During the 2000s, ideas about CSR began to spread more rapidly, and Ethos emerged as the main promoter of CSR as well as the main representative of business on social and environmental issues. It arranged for the first meetings of Brazilian companies with the Global Compact and introduced companies to various global networks such as GRI. Ethos also helped the Sao Paulo Stock Exchange (BOVESPA) develop a Corporate Sustainability Index (ISE) in 2005 (Pena, 2014). It has an extensive network of relationships with companies and its website estimates that its members are responsible for some 35% of Brazil’s GDP (Ethos, 2016).

Pena (2014) traces the position of Ethos and the CSR movement since the 2000s in order to highlight its changing relationship with the political establishment. As was already mentioned, the main individuals behind the CSR movement supported the PT. At the same time, the PT showed a willingness to include a wide array of voices in its policy-making process. The government created permanent national consultation councils, including the Council of

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99 This was consistent with Lula’s particular mix of socially oriented policies, while remaining largely pro-business. ABONG, the country’s largest network of civil society organizations, has named this approach ‘social neoliberalism’. This implies not rolling back the state as such but creating policies which seek to enable the ‘economic to promote the social’ (Bianchi and Brage, 2005, cited in Pena, 2014, p. 317).
Economic and Social Development which has both government and civilian members (the latter are drawn from labour, business and civil society).

During this period of overlap between the goals of the PT and the CSR movement, the leaders of Ethos also received positions within the government. However, this was not to last. The break between some of the most prominent members of the CSR movement and the PT began in the second half of the decade. Partly in response to corruption scandals surrounding the PT, Oded Grajew announced that he would not support Lula’s re-election in 2006. In 2008, the break deepened when Petrobras withdrew its membership from Ethos after Ethos alleged that Petrobras’ diesel fuel violated environmental standards. Petrobras interpreted this as a smear campaign (Pena, 2014). One of the founders of the CSR movement in Brazil summarized the final outcome of this break with the PT as follows:

Unfortunately, when [Lula] got to government, he didn’t do what we expected him to do. Still it was important to have a worker as a president, I don’t regret that. I regret not being able to take them out of the government. (Interview BRA6)

However, even within the CSR movement, there was a splintering. In the late 2000s, approximately ten years after it was founded, Ethos started to more strongly orient itself towards engaging with public policy. According to one former employee, they viewed their main mission in the first ten years as trying to introduce CSR to Brazil. After taking stock of their actions, they noted that it was not enough to encourage companies, but to change the whole market. This meant, she argues, engaging with the state itself regarding human rights, corruption, and the green economy (Interview BRA4).

Ethos currently seeks to engage the government to influence public policy, particularly in the field of anti-corruption. According to their website, their goal is also to help develop a national strategy on sustainable development for the country. Not everyone has agreed with this shift

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100 The interview was undertaken in 2015, prior to the removal of President Dilma Rousseff from power.
towards influencing public policy more closely. As one of my interviewees, one of the founders of the CSR movement, revealed:

There was a point in time [when] Ethos decided it needed to influence public policy. My position was that an organization does not influence policy, the people influence public policy. We have to change businesses, so they can pressure government to change public policy... I disagreed, I was the only one. Now Ethos is working on public policy… If you take the President and CEO of Ethos, comparatively speaking, now and a few years ago. A few years ago, that person was in day to day contact with companies. Now, that person is in day to day contact with government. (Interview BRA6)

This is interesting for several reasons. It shows the degree to which the CSR movement in Brazil has been politicized from its very beginning. Not fitting neatly within any understanding of a ‘neoliberal’ shift, the CSR movement arose in opposition to certain existing industrial institutions, and was successful in part because of the linkage the movement created with the PT. Once that linkage was broken, there has been a shift towards developing mechanisms to influence public policy more formally (not simply through the inclusion of members within government bodies). This is reminiscent of how business and the state have engaged historically within the confines of corporatist arrangements.

More recently, there has been a perceived ‘crisis’ of CSR in Brazil. According to two commentators, both of whom were early promoters of CSR, “[t]he movement is not doing so well” (Interview BRA6) and is going through a “very bad time” (Interview BRB10). This crisis has been closely associated with the economic downturn which is negatively impacting the ability of companies to contribute to CSR projects. As one of the interviewees notes: “the social commitment is based on the survival of the companies. Economically the country is suffering, so the social policies that come from this are suffering” (BRB10). He notes that his discussions with some of the other founders of the CSR movement have revealed a great deal of confusion. He further notes, “If you had come two years ago, the impression was completely different… today there is no confidence in the president and party in power. No confidence in some of the
leadership in the business sector. It is a very sad moment” (BRB10). The ‘crisis of CSR’ has therefore been directly linked to both the PT’s political leadership, and the case against Petrobras. However, this should be seen for what it is – a political crisis of CSR, and it is consistent with the degree to which CSR has been politicized in Brazil.

The discussion thus far has focused on the movement to promote CSR in Brazil rather than the behaviour of individual companies. In India, trusteeship (and then CSR) was largely taken on by individual industrialists before being promoted at a broader level. No new organizations were created to promote CSR. Instead, peak business associations, which began to grow in importance at about the same time as CSR was becoming popularized abroad, took on the role of also promoting CSR within India. As a result, any explanation began with individual industrialists.

The story of Brazil is both similar and different. While several individuals were central to starting the CSR movement, their primary efforts centred on creating institutions to promote CSR within the economy. They also created political linkages in order to find support for their agenda. Similar to India, the self-interest of companies played a role in creating support for CSR. For existing family businesses, a focus on CSR and the creation of foundations provided an opportunity to find leadership roles for members of old industrial families (as the heads of foundations) at a time when the companies were under pressure to open up their top ranks to outside talent. For political actors such as Lula agreement on CSR provided a means of connecting with the business sector over shared values. Finally, the leaders of the CSR movement itself were catapulted into positions of importance through such political connections.

How has the movement shaped company interests about whether or not to implement CSR practices? CSR has become more institutionalized and widespread since approximately 2000, as indicated by the growing membership of organizations such as Ethos. A 2006 survey from the Institute for Applied Economic Research (IPEA) paints a similar picture. The study indicates that the percentage of companies investing (in some form) in community development reached 69% in 2004, totaling some 0.27% of GNP (Yamahaki & Ursini, 2010, p. 103).

101 The interviewee was referring to Dilma Rousseff and the PT.
102 The survey considered 9,978 private companies (Nogueira, 2014, p. 210), and the reasons companies gave for their community investment included: “humanitarian motives (57%),
As Chapter 2 established, historically foundations have played a central role in shaping how companies contribute to socioeconomic development. GIFE’s 2016 Report asked GIFE members to respond to a survey on their investments, and of 116 respondents 85% were foundations (and more than 50% were corporate foundations). This suggests that foundations remain an important mechanism through which company involvement in community development is undertaken. However, my research revealed a concern amongst CSR practitioners that companies, in an effort to align CSR policies more closely with company goals, are ‘pulling in’ corporate foundations. Companies are seeking to have greater say over foundation operations stripping away their autonomy, though the precise degree to which this is the case is difficult to ascertain.

CSR is still not a priority area for many companies. This is reflected in the fact that in many companies CSR is given to very junior staff, many of whom lack training to engage in development projects (Interview BRB1). Many CSR projects continue to primarily focus on employees rather than communities (or society more broadly) affected by companies’ operations. This was well reflected in the composition of a meeting I attended in December 2014. It included the CSR representatives of some twenty companies (mainly large domestic and multinational companies). The meeting was organized by one of the companies present in response to a request from the Minister for Social Development for the state of Sao Paulo. The Minister sought to get the companies to commit to engaging in social programs including drug treatment and helping the elderly and was also interested in asking them to run CSR programs in less developed areas of the state. One year later, nothing came of this proposed partnership. The majority of companies primarily focus on education, and also do not wish to shift their attention away from the communities affected by their operations. Finally, a large component of CSR for many of these companies is still linked to employees. As the organizer of the event later told me: “the companies did training for their employees…They were doing good, but they were looking in their belly” (Interview BRB3). This suggests that short-term interests, including appeasing communities, play a more central role in motivating companies than any dedication to socioeconomic development more broadly.

requests from different entities (47%) and perceived need to make contributions to the surrounding community (38%)” (Yamahaki & Ursini, 2010, p. 103).
Finally, as in India, CSR is much more institutionalized within public rather than private companies. A company such as Petrobras makes significant contributions to social development programs. However, Chapter 2 showed that while Brazilian companies primarily focus on education, Indian companies follow a broader set of objectives including poverty alleviation and healthcare. My research in Brazil revealed several reasons for this preference for education. Important factors included prevailing ideas about social welfare responsibilities—with poverty alleviation and healthcare being seen as the primary responsibility of the state. According to Andre Degenszajn, the former head of GIFE:

Several factors may explain the high concentration in education. To start with, there is a broad consensus in society that investment in education is probably the main factor required to stimulate the country’s development. Lack of investment has been an obstacle to ensuring both economic and social development and has contributed to the maintenance of high indices of inequality… Furthermore, there is a more utilitarian, and perhaps more relevant, argument that investment in education may represent a financial saving for companies, since the more well-trained workers there are on the market, the less companies need to invest their own resources in training employees. (cited in Wilner, 2014b, p. 234)

This instrumental utilitarian argument was reflected in many of my interviews. According to the head of the CSR foundation of a major automotive producer, companies realize “that one of the major problems in this country is education. How they realized this? Hiring people… Then the foundations created by those companies try to focus exactly on education.” (Interview BRA12)

The argument that education is central to reducing structural inequalities in Brazil was also voiced by certain practitioners within the field of CSR. According to one: “What are our biggest challenges? To reduce inequality. Not poverty. Our main challenge is inequality. When you look [at the] public space [through] the lens of the corporation, you have a dilemma. How can corporations have relevant interventions on that?” (Interview BRB14) His answer is that companies can make a difference by investing in education and influencing public policy in the
field of education. In Brazil, there is a very strong perception that the state has failed to improve educational outcomes. This is not to say that everyone is entirely happy with what has been achieved in terms of healthcare or poverty alleviation. However, there is a sense that within education, the failures have been more pronounced. In India, on the other hand, most commentators note that the state’s efforts to implement programs in education, health, and poverty alleviation have in general under-delivered.

In sum, while CSR in Brazil has become more institutionalized in recent years at the level of companies, the focus has been primarily on education. CSR’s institutionalization has also reflected an inward-looking process with companies focusing more strongly on activities that ultimately impact their operations. Education allows companies to pursue a goal that is seen as being both beneficial to society and to their own operations. This increasing focus on making sure that CSR efforts are also beneficial for companies has contributed to fears expressed by some members of corporate foundations that they are being ‘pulled-in’ by companies, eroding their autonomy (Interview BRA13). While in India, the CSR committee requirements of the Companies Act serve to provide CSR practitioners with potentially more autonomy vis-à-vis company operations, a reverse trend appears to be taking place in Brazil.

Finally, this leads to the question of how broader state policies have influenced the institutionalization of CSR. The effects of TACs and the lending of operations of BNDES are difficult to measure, though more can be said about existing tax incentives. According to a tax specialist at a leading think tank on CSR in Brazil, a company can reduce its tax burden by approximately 6-8 percent of its tax base operating profit through such exemptions (Interview BRB11). However, research on Brazil’s largest companies reveals that only some 22% of total CSR investments is subject to tax breaks, and “in 73% of companies, the amount thus incentivized was no greater than 30% of the amount invested in the social arena” (Peliano, cited in Wilner, 2014a, p. 225). When asked why tax breaks are used less, companies noted that the system of obtaining tax breaks is far too bureaucratic and can stifle the creative development of CSR projects. Some CSR practitioners I interviewed, however, provided a slightly different explanation – obtaining tax breaks requires a higher degree of transparency of CSR projects
which companies may seek to avoid. Further research would be required to empirically determine which of these explanations is superior.

This suggests that some companies may be resisting the appeal of tax breaks because of the degree of control that the state has sought to impose through those incentives. At the same time, some of the autonomy traditionally enjoyed by foundations, as one of the main institutional mechanisms through which PSI in particular is enacted, has been eroding as companies seek to further streamline CSR with their wider operations.

Overall, this discussion has demonstrated that though there is some acceptance amongst companies that they should play a role in the country’s socioeconomic development, their dedication to CSR is still largely driven by more immediate interests. Companies primarily focus on communities affected by their operations and still largely concentrate their efforts on education, since this improves their ability to obtain educated labour. Moreover, some state efforts to promote CSR are met with mixed reactions. Many companies do not take advantage of tax breaks because they are accompanied by greater state scrutiny.

Organizations promoting CSR, though they initially concentrated on promoting CSR practices within companies, have recently sought to influence public policy above and beyond CSR per se, and to focus on issues such as corruption. Overall, however, this analysis demonstrates that the focus of both companies and CSR/PSI associations has been less strongly placed on developing mechanisms through which companies can contribute to social welfare provision. This is consistent with the division of responsibilities established in the previous chapter—while companies and CSR/PSI associations do envision a role for business in socioeconomic development, the primary responsibility is still placed on the state. The state, in turn, has shown a greater willingness to take on this role, and promotes CSR insofar as it can maintain some control over how private social welfare provision is organized.

4 Conclusion
This chapter has analyzed the wider socioeconomic environment in which CSR has emerged in Brazil and India, focusing on how these states have sought to promote corporate involvement in
social welfare provision, and the way in which companies have in turn taken on these roles. In Chapter 3, I argued that the centrality of the state as a provider of social welfare and a regulator of CSR can be used to characterize a continuum between liberal and statist CSR regimes. The discussion developed here allows Brazil and India to be placed along that continuum.

As exemplified by India, a liberal CSR regime is one in which the state seeks to transfer some of its responsibility for social welfare provision onto corporate actors by promoting CSR but does so in manner that: a) allows companies to maintain a great deal of control over the nature of their involvement, and b) does not seek to strongly influence corporate behaviour beyond contributions to welfare provision. Companies Act 2013 has created an environment in which the state can transfer some of its responsibility for welfare provision onto corporate actors, without establishing any credible means of holding corporate actors accountable for either their business practices, or their involvement in welfare provision.

A statist CSR regime, as exemplified by Brazil, is one in which the state seeks to be the primary social welfare provider and seeks to promote corporate involvement in welfare provision only in instances where it can retain some control over the nature of that involvement. A statist CSR regime also adopts mechanisms that seek to influence corporate behaviour above and beyond company contributions to socioeconomic development (in the case of Brazil, TACs and some of the lending policies of BNDES). This does not mean that companies cannot voluntarily engage in CSR development projects above and beyond those that are incentivized by the state, nevertheless, the state’s promotion of CSR does not extend beyond efforts in which the state can maintain a strong input.

The state’s position has intertwined with ideas on responsibility and broader socioeconomic factors (including differences in how Brazil and India’s economies are organized and how civil society operates) to shape companies’ interests, and their willingness to embrace CSR. Throughout I have emphasized the role of domestic factors, while acknowledging that ideas regarding CSR were introduced from abroad. I have argued that the international influences pushing for the institutionalization of CSR have been more similar than different but have been
filtered through different domestic environments and institutions, resulting in differing sets of outcomes in the two countries.

I then show how CSR has been historically institutionalized in Brazil and India, noting that while there are some broad similarities, there are also important differences. It is more common for Indian companies to accept that they have a role to play in pursuing goals such as poverty alleviation and improvements in health and educational outcomes, and this is apparent in their spending patterns. In Brazil, however, such responsibility is still largely placed squarely on the state—companies’ dedication to promoting education is tied to a view that the state is failing to adequately fulfill its role in producing a well-educated workforce, therefore requiring companies to step in. Companies can, and some do, go beyond such commitments, and beyond activities incentivized by states. However, by and large, company involvement in social welfare provision is more strongly institutionalized in India than it is in Brazil.

In tracing the development of CSR, this chapter has demonstrated that in order to understand the variation in outcomes between Brazil and India described in Chapter 2, we need to consider all three explanatory factors in conjunction. None of the explanations offered in this dissertation—state capacity, ideas regarding how responsibility should be shared between state and corporate actors, and the institutionalization of CSR—are sufficient to explain these outcomes on their own. Instead, they have historically worked in conjunction to shape the patterns in which business and the state interact to share responsibility for social welfare provision in Brazil and India.
Chapter 7: Conclusion: Sharing Responsibility for Social Welfare Provision

While the question of how business and the state interact to influence economic policies and country trajectories has often been considered within political economy, the impact of this relationship on how collectively desirable goods such as healthcare or education are delivered has received considerably less attention. This dissertation began by asking the following question: under conditions of limited state capacity, how do state and business actors interact in the evolution of systems of social welfare provision?

Here, I provide a brief overview of the arguments I have developed to answer this question. I then briefly consider this dissertation’s theoretical and empirical contributions and potential generalizability, as well as the broader implications of company involvement in social welfare provision. I conclude by briefly discussing important political developments in Brazil and India since 2015, when fieldwork for this project was completed. I argue that while both countries have experienced certain changes, the arguments made here still remain relevant.

1 The Sharing of Responsibility for Social Welfare Provision

In this dissertation I demonstrate that variations in the interaction between business and the state shape both state policies towards the involvement of corporate actors in socioeconomic development, but also corporate actors’ understanding of their wider responsibilities towards society, as well as the mechanisms they adopt to fulfill them. In other words, the preceding chapters explore trends in how corporate actors and the state share responsibility for the provision of social welfare in Brazil and India.

I do so largely through the lens of corporate social responsibility. I consider CSR rather than other forms of market provision, including public-private partnerships or the for-profit private delivery of collectively desirable goods such as water (often as a result of the privatization of
state services), for one very specific reason. In the case of CSR, funding largely comes from the companies themselves, meaning that they come to share the burden of providing such goods.

The focus of this analysis is on Brazil and India. The two are part of a larger universe of cases that make up the Global South. Limited state capacity throughout the Global South, and the absence of welfare states similar to those found in the Global North, have made many of the countries of the Global South a more fertile ground for promoting the notion that companies have a role to play in socioeconomic development. This emphasis on corporate actors has been greatly supported by various international organizations such as the UN Global Compact. Despite this, a brief look at Brazil and India highlights that variations also exist within the Global South. Nevertheless, the degree of this variation is not always clear. As a result, this dissertation first set as its task the mapping of both the similarities and the differences between Brazil and India. It shows that, on balance, there has been a trend towards the greater involvement of corporate actors in social welfare provision in India than in Brazil.

Chapter 2 demonstrates that while both Brazil and India have shifted towards a more rights-based approach to promoting social welfare in recent decades, Brazil has sought to primarily do so through state efforts, while India has attempted to shift some of this responsibility onto corporate actors. In passing Companies Act 2013, Indian lawmakers repeatedly made the argument that corporate actors must take on some responsibility for the country’s socioeconomic development. India’s more active encouragement can be contrasted with Brazil’s—the Brazilian state promotes CSR largely through tax policies, the lending practices of its development bank, BNDES, and judicial instruments such as conduct of adjustment agreements. These mechanisms allow the state to retain some control over the nature of company engagement in social welfare provision.

The chapter then shifts its lens towards considering how companies have taken on roles in social welfare provision. It begins with an analysis of how the very term CSR and related notions of private social investment and responsible business are understood in Brazil and India. It shows that while CSR largely refers to companies engaging in community development projects in India, in Brazil such engagement largely falls under the term private social investment.
I also map out CSR practices in the two countries. As can be expected, there are numerous similarities in how companies take on roles in social welfare provision. There are also important differences, which are both ideational and concrete. Firstly, there is a strong perception that CSR in India is rooted in Indian business practices, whereas this is lacking in Brazil. Related to this is a deep difference in perceptions held by both companies and state actors about who holds the primary responsibility for social welfare provision. Many Indian companies openly state that they have some responsibility for the country’s socioeconomic development, whereas Brazilian companies place this responsibility largely on the state. These differences in perception in turn have an impact on the nature of company CSR practices. While Brazilian companies primarily focus on education, Indian companies also see themselves as needing to contribute to poverty alleviation and healthcare, together with a series of other goals.

Given the lack of attention to the questions posed here in existing literature, understanding the divergence between Brazil and India required the development of a novel explanatory framework. Chapter 3 develops this framework, demonstrating that we must consider three explanatory factors: the role of state capacity, ideas about responsibility for social welfare provision, and the institutionalization of CSR. State capacity is a largely permissive condition. Brazil and India are both characterized by limited state capacity. Understanding how capacity differs between Brazil and India nonetheless allows us to understand why India has been a more fertile ground for the sharing of responsibility between state and corporate actors. Ideas regarding how this responsibility should be shared, and the institutionalization of those ideas in public and corporate policies, then determine the trends in how companies come to provide collectively desirable goods. I argue that these ideas are themselves the product of historical processes through which understandings of citizenship and the relationship between business and the state have interacted with the effects of limited state capacity.

Though the conceptual framework and empirical chapters are organized to consider each of the explanatory factors, the goal has been to consider the pathways Brazil and India have taken from the moment when systems of social welfare provision began to emerge. As a result, each of the chapters considers the variables in question through a chronological perspective. Chapter 4 seeks
to understand how state capacity has been deployed at particular historical moments in the two countries. It demonstrates that this requires a consideration of the role of political priorities in shaping policies.

In India, state efforts to deliver collectively desirable goods largely began after independence. The state’s limited resources, its lack of autonomy from propertied classes (particularly in rural areas), and Nehru’s prioritization of industrialization and economic growth, combined to produce a limited system of social welfare provision. Planned outlays for social services as a percentage of GDP did increase in the post-independence period, however as the state’s resources grew, its capacity to implement public policies became strained. Within India’s civil service, the IAS, professionalism was maintained well into the late 1960s, but the IAS subsequently became more politicized. Overall, the autonomy and professionalism of state institutions eroded, particularly in the 1970s (Rudolph & Rudolph, 1987), even as the IAS increased in size (Kohli, 2004). At the same time, the ability of the Indian state to effectively penetrate the countryside remained constrained (Rudolph & Rudolph, 1987).

In the case of Brazil, the institutionalization of social welfare provision largely began during the period between 1930 and 1943 under the rule of Getulio Vargas and his Estado Novo (Draibe, 1989). Vargas implemented a corporatist system which granted social welfare provision to unionized categories approved and recognized by the state. This created differentiation between categories of Brazilians and promoted stratification. Similar to India, state capacity was limited, and emphasis was placed on achieving rapid economic progress. All efforts to improve bureaucratic capacity and to provide collectively desirable goods were channeled to support this target. The social policies adopted were largely paternalistic and designed to pursue state goals rather than arising out of bottom-up pressure on the state. Bureaucratic capacity was largely uneven and patronage appointments were common. During the 1950s, efforts to reform the bureaucracy began to produce ‘pockets of efficiency,’ a trend that has persisted to this day. Following the military coup in 1964, the dictatorship pursued continuity with the Estado Novo with primary focus placed on economic growth. However, it also sought to expand the system of welfare provision by creating a social protection program for rural workers in 1971 (Arbix & Martin, 2010). As the economy grew and the state’s resources grew with it, benefits were
expanded, but large sectors of the population still remained outside of social protection schemes. Differentiation into distinct categories of recipients also continued (Malloy & Parodi, 1993).

In the last three decades there has been a growing shift in both Brazil and India towards a more rights-based approach to social welfare provision. However, questions regarding the state’s capacity to deliver collectively desirable goods have persisted in both cases. In attempting to compare current measures of state capacity, I show that while the fiscal capacity of both states has steadily increased (both because of greater economic growth, but also because of increasing capacity to collect tax revenues), the extractive capacity of the Brazilian state is somewhat higher than India’s. Moreover, the Brazilian state is on balance better able to penetrate society, which is presumably useful in implementing policies.

Expanding extractive capacity has allowed both states to increase spending on social welfare provision in real terms and as a percentage of GDP. Being able to fund and to implement programs are two different questions, requiring a comparison of the bureaucratic capacity of the two states. I show that in India, the broader pattern of social welfare provision has been that increased spending has not translated into desired results because of continuing problems with implementation (Saxena, 2012). Many social programs are delivered by states in India, however, and numerous variations must be acknowledged within this broader pattern. Brazil remains similarly plagued by a lack of bureaucratic capacity, however as was the case historically, it has ‘archipelagos of excellence’ (Schneider, 2016). While agencies dealing with health, social security and social policies are not quite ‘archipelagos of excellence’, which have both high capacity and autonomy, they are characterized by high capacity and low political autonomy (Bersch, Praca, & Taylor, 2017). This suggests that while these agencies may not be insulated from the political sphere, they are nonetheless better able to implement policies.

Chapter 4 then considers how political priorities have influenced the deployment of state capacity in Brazil and India. It shows that while during the rule of the PT in Brazil, the state was strongly committed to expanding social welfare provision, in India, the political will to more adequately address poverty and social welfare has been lacking. As a result, while both Brazil and India have historically been characterized by limited state capacity, following
democratization, Brazil was better able to effectively deploy its state capacity to engage in social welfare provision.

A lack of state capacity acts as a permissive condition and a consideration of how it is deployed cannot entirely explain why, for example, the Indian state has openly argued that the corporate sector shares responsibility for socioeconomic development (though it does begin to explain why India may be a more fertile ground for this type of sharing to emerge). Answering this question requires a consideration of how norms of responsibility have evolved and an analysis of how companies have come to take on responsibilities for contributing to socioeconomic development.

Chapter 5 demonstrates that the norms of responsibility dominant in Brazil and India must themselves be understood as the product of a meeting of ideas. It argues that an understanding of what is subsumed under citizenship rights (civil and political rights, or socioeconomic rights), and whether these are extended narrowly or broadly, combines with different notions about how business and the state should interact to shape expectations placed on business actors to share responsibilities for providing collectively desirable goods. I show that in India an emphasis on civil and political rights together with the notion of trusteeship enabled the emergence of a shared norm of responsibility between the state and corporate actors. In Brazil, on the other hand, a statism instituted through corporatism and an emphasis on graduated citizenship have served to embed the norm that responsibility for social welfare provision lies with the state.

In India, one of the defining characteristics of the relationship between business and the state has been the Gandhian notion of trusteeship, which is at the core of present-day understandings of CSR. Inspired by both Indian religious traditions and western concepts, Gandhi argued that the wealthy should see themselves as the trustees of their wealth, should retain only what is necessary for their personal use, and should give the rest back to the community. However, trusteeship also played an important political role – Gandhi preached the values of trusteeship to India’s large industrialists who helped finance the independence struggle. As a result, both prior to and after independence several business houses became involved in social welfare provision, including the building of educational and healthcare facilities.
While Nehru was initially critical of trusteeship, after independence he became more accepting of the concept, and trusteeship became a useful rhetorical device. Though Nehru remained committed to the goals of poverty reduction and social welfare provision, these were largely set aside in favour of economic development and industrialization which were deemed necessary for the development of a welfare state. The Indian Constitution, while strongly protecting political rights, only made broad promises to address socioeconomic ones. This established the largely welfarist orientation of the state: socioeconomic rights were more expressions of the state’s good intentions rather than positive rights which the state had a responsibility to uphold. Within this context, Nehru began to tout trusteeship as a mechanism for helping to remove the class struggle (Rolnick, 1962).

Adherence to trusteeship played an important role in also bolstering the position of business in Indian society, given that the profit-motive has been traditionally viewed as anti-social (Sundar, 2013). As a result, the notion that responsibility for promoting the socioeconomic development of the country should be shared between the state and the private sector began to take hold and to approach the status of a norm, which has resonated to this day.

Once the concept of CSR was introduced from abroad it became fused with trusteeship. Today both state and corporate actors have expressed some acceptance of the notion that the burden for social welfare provision should be shared. The rise of rights-based legislation in recent decades has in some respects represented a push against this diffusion of responsibility away from the state. However, the shift has not represented a significant change in the state’s practices. While citizen demands on the state may have increased, community demands on companies to engage in social welfare provision, especially when the state is absent, have also increased. As a result, the trend of responsibility becoming shared between state and non-state actors has continued. It was further solidified in the discussions regarding the passage of the Companies Act when lawmakers argued that companies have an important role to play in the country’s socioeconomic development. One possible interpretation of the Companies Act is that it is a re-affirmation of the state’s lack of willingness to fully commit itself to building a more traditional welfare state.
In the case of Brazil, corporatism and an evolving system of citizenship (from more limited regulated citizenship to a broader more universal form) have shaped expectations that people place on state and corporate actors to deliver collectively desirable goods. To a greater degree than in the Indian case, the state is seen as holding the primary responsibility for social welfare provision, even if its ability to historically fulfill this role has been limited.

The strengthening of this norm lies in the particular nature of Brazilian society – as a settler colony, Brazil was always more susceptible to ideological trends originating in Europe. After the ending of slavery in 1888, the Brazilian state began to promote the immigration of European workers in order to ‘whiten’ the country (Alencastro, 2016). This coincided with the growing expansion of the state’s role in social welfare provision throughout Europe, meaning that immigrants arriving in Brazil wanted the government to work to improve the conditions of labour and “social life” (Interview BRB4).

While the state’s first efforts to improve welfare began before Vargas, they were expanded within a corporatist framework during his rule. In part because of limited capacity, the state’s efforts were never widespread. The focus was on urban workers who were central to the goal of industrializing the economy. This was consistent with Brazil’s colonial and slave legacies which established ideas about graduated citizenship, meaning that political and social rights were distributed on a graduated basis tied to a hierarchy of professions (Baiocchi, Heller, & Silva, 2011). This approach persisted through the democratic interlude of 1945 to 1964 as well as the subsequent dictatorship.

However, the push for democratization in the 1980s was accompanied by two ideational trends. The first was a move towards a more universal conception of citizenship (Cidadania). The calls for rights and democratic participation were also linked to demands for social security. As a result, the 1988 Constitution guarantees social rights, while further entrenching the notion that the Brazilian state holds the primary responsibility for social provision by stating that it is the government’s responsibility to organize social welfare. This suggests that the late emergence of Brazil’s democracy from authoritarianism rather than from an earlier anti-colonial struggle like
in India, at a time when ideas about rights-based development were strengthening, combined to create more fertile conditions for the emergence of a broader conceptualization of citizenship.

The second ideational trend was the introduction of CSR and private social investment as a means of at least partially reconceptualizing the business-state relationship. However, the introduction of CSR did not instill a strong sense that business has a responsibility to engage in socioeconomic development in the same manner as in India. The CSR movement represented an effort to increase civic control over firms and was closely linked to the wider spread of civil society following the return to democracy. While there has been some recognition that companies should become involved in social welfare provision, my interviews reveal that companies largely believe that this is still primarily the state’s responsibility.

To summarize, during the early period of social welfare provision, ideas of how responsibility for social welfare provision should be divided between state and corporate actors were shaped by an interplay of prevailing notions of citizenship (a focus on political rights in India, versus graduated citizenship in Brazil) as well as ideas about how business and the state should interact (trusteeship in India versus corporatism in Brazil). During the 1980s to the 2000s, both Brazil and India have witnessed the introduction of CSR from abroad, as well as a strengthening of rights-based development ideas. Given that Brazil and India had until then taken slightly different paths, these new sets of ideas found slightly different levels of support in the two contexts. In India, the notion that responsibility for social welfare provision should be shared between state and corporate actors remains the prevailing norm, while in Brazil rights-based discourse has more strongly influenced state policies. It has also further entrenched the norm that primary responsibility for delivering collectively desirable goods should fall on the state.

Finally, though a consideration of state capacity and ideas about how responsibility should be shared between the state and corporate actors form an important part of the explanation for the divergence observed between Brazil and India, the willingness of companies to take on this role still requires explanation. As a result, Chapter 6 turns to the question of how CSR is institutionalized. In order to answer that question, I argue that it is necessary to consider the
broader context within which CSR emerged in Brazil and India in order to identify how that context shapes the interests of companies to adopt CSR practices.

First, I establish some important commonalities and differences between the countries’ economies. While both states can be characterized as being fairly pro-business in recent decades, there are also some important differences between Brazil and India. India has an extremely large informal sector compared to Brazil which influences the state’s potential impact on CSR practices since state efforts largely target the formal sector. There are also differences in the division between domestic and global capital and the importance of family businesses. India remains an economy of Indian producers largely seeking to meet the demands of the country’s domestic market (Kohli, 2012). Brazil is characterized by a much larger presence of multinationals. This has important implications for CSR. In the Indian case, because of the history of trusteeship, many important family businesses have engaged in some form of CSR for many decades. In the Brazilian case, the presence of multinationals means that outside CSR influences are more likely to have a greater impact than in India.

Second, the position of civil society has an important effect on CSR practices. I demonstrate that civil society is expected to perform several central roles: an activist and an advocacy role (namely, holding corporate actors accountable for their actions) and a service provision role. Both impact the nature of the business-state relationship, and how collectively desirable goods are delivered. Civil society has faced increasing pressure in recent years in both Brazil and India, making it particularly difficult for civil society actors to fulfill their advocacy and activist roles. Instead, trends in both countries have pushed civil society towards service provision which reduces its potential to hold companies accountable for their actions.

I then consider how the Brazilian and Indian states have sought to influence companies’ CSR practices. The Indian state has historically provided incentives for companies to contribute to socioeconomic development. This began with tax concessions following independence and continued to proliferate into the 1970s when the state gave tax breaks to companies engaging in rural development. At the same time, by the 1990s there was a growing trust deficit in the country’s corporate sector, leading to a concern that companies needed to behave ethically. The
state responded by promoting efforts that would further institutionalize CSR, starting with the public sector and ending with the passage of the Companies Act 2013. The Act requires that all companies of a certain size must spend at least two percent of their average net profits on CSR. While not directly defining CSR, the Act provides a list of activities in which companies should engage drawn from the Millennium Development Goals, linking CSR with development.

Beyond a consideration of spending, companies retain a high degree of voluntariness with respect to their CSR programs, and mechanisms of accountability remain opaque. The broader behaviour of companies is not considered, leaving many CSR practitioners to fear that a company can engage in behaviour that has negative long-term consequences for the country’s development while still being labeled as a good corporate citizen.

In the case of Brazil, the state began to promote some form of corporate involvement in social welfare provision somewhat later (in the mid-1980s), but the overarching trend has been that the state has sought to retain a greater degree of control over the nature of that involvement. Early efforts focused on providing tax exemptions for contributions to cultural projects. These efforts were expanded, and the country’s main tax code now provides deductions for corporate contributions to state-approved non-profit actors and/or qualifying projects. Two other notable mechanisms for promoting CSR are adjustment of conduct agreements and the funding requirements set up by the Brazilian Development Bank (BNDES). Adjustment of conduct agreements are arbitration mechanisms that are used to encourage companies to alter their behavior, while BNDES, as an extremely important lender for the private sector, often earmarks a portion of its loans for social or environmental development. Therefore, all three mechanisms ensure that the state has some degree of control over CSR activities.

As a result, I argue that the consideration of Brazil and India allows us to create a distinction between liberal CSR regimes and statist CSR regimes. Though both seek to promote CSR to a degree, they do so in very different ways. India is an example of a liberal CSR regime: here, the state seeks to transfer some of its responsibility for social welfare provision onto corporate actors by promoting CSR but does so in manner that: a) allows companies to maintain a great deal of control over the nature of their involvement, and b) does not seek to strongly influence corporate
behaviour beyond contributions to welfare provision. Brazil is emblematic of a statist CSR regime: the state seeks to promote corporate involvement in welfare provision only in instances where it can retain some control over the nature of that involvement. A statist CSR regime also adopts mechanisms that seek to influence corporate behaviour above and beyond company contributions to socioeconomic development.

Finally, I consider how companies themselves have adopted CSR practices within the broader socioeconomic context of Brazil and India, tracing the evolution of CSR in the two countries in order to account for the divergence observed in Chapter 2. I show that corporate actors are driven by a number of motivating factors, including predominant norms regarding responsibility and company interests. Company interests are shaped not only by community expectations, but by their position within the Indian and Brazilian economies (as well as international markets), pressures from civil society, and the institutional environments promoting CSR.

In the case of India, trusteeship was taken on by India’s family business elites in the post-independence period. This contributed to the broader institutionalization of CSR, which became combined with trusteeship after it was introduced from abroad. Internal pressures, including state efforts to promote CSR and the reputational problems facing many Indian businesses, have pushed for the greater acceptance of CSR by Indian companies in recent decades, even prior to the passage of the new Companies Act. This broader acceptance eased the passage of the Act—some of India’s largest and most influential companies did not see the Act’s provisions as a significant departure from their previous practices. Nevertheless, research reveals that the push to further institutionalize CSR is still a top-down process (PiC, 2004), which is consistent with the strong role that key industrialists have played in promoting trusteeship and CSR historically. The Companies Act 2013 serves to further entrench a focus on CSR but it does so in a very particular way—by emphasizing company spending rather than ethical behaviour. Preliminary results suggest that companies are taking these spending commitments seriously (Jayaram, et al., 2017), though the precise developmental impact remains to be seen.

In Brazil, the introduction of CSR largely coincided with the democratization process when a number of business entrepreneurs sought to promote a different mode of engagement between
business and the state, questioning Brazil’s corporatist structures. This was partly a result of the growing awareness of CSR globally since many of these entrepreneurs were taken to the United States by American foundations to become familiar with U.S. models of philanthropy. They then came back to Brazil and created new business associations promoting both CSR and private social investment. Unlike in India, these individuals were not typical examples of Brazil’s traditional business elites which were more accepting of neoliberal economic influences. The CSR movement sought to draw attention to Brazil’s social and economic inequalities. Initially, the movement represented a shift away from traditional corporatist structures, but it was politicized. Some of the main leaders of the CSR movement supported the PT in the 2000s, even receiving positions within government. This lasted until the mid-2000s when support for the PT dwindled. Despite this rift, many of the main organizations working to promote CSR, including Ethos, retain a political focus. Ethos now openly seeks to influence public policy, including on issues such as corruption.

At the level of the companies themselves, CSR is still largely not a priority area in Brazil, with responsibility for CSR often being given to very junior staff (Interview BRB1). Many CSR projects reflect short-term immediate interests and continue to primarily focus on employees rather than communities affected by company operations. Whereas in India companies have expressed a sense of responsibility for dealing with broad developmental issues such as poverty and healthcare, in Brazil the focus largely remains on education. Business actors believe that the state has failed to fulfill its duty to promote education to the detriment of companies which rely on having access to an educated labour force. Overall, the push for greater institutionalization has been felt less strongly than in India. The primary responsibility for delivering collectively desirable goods is still placed on the state which has also shown a greater willingness than the Indian government to take on this role.

To summarize, the preceding chapters have traced the pathways Brazil and India have taken in the evolution of systems of social welfare provision, focusing on the role of corporate actors. Paying attention to the interaction of state capacity, the role of ideas in shaping norms regarding where responsibilities for social provision lie, and the institutionalization of CSR, I have sought to explain divergent trends in how corporate actors are becoming involved in social welfare.
provision in Brazil and India. In India, while the state’s role in social welfare provision has expanded, the predominant norm has become that responsibility for that provision should be shared between the state and corporate actors. The Indian state is developing a liberal CSR regime, and companies have responded by expanding their role in delivering collectively desirable goods. The focus of company efforts is fairly broad, with companies engaging in a wide variety of community development efforts. In Brazil, the state’s role in social welfare provision has similarly grown, as has the norm that it is primarily the state’s responsibility to organize the delivery of social welfare. The Brazilian state is developing a statist CSR regime under which the state seeks to maintain control over company involvement in delivering collectively desirable goods. The result has been that though CSR has become more popularized in Brazil, company involvement in social welfare provision is more limited, as is its focus, with most Brazilian companies investing in education.

2 Contributions to the Literature

As the introduction demonstrated, this dissertation addresses the literature on welfare states, the newly emerging literature on the relationship between corporate social responsibility and development, and finally, the development studies literature on the role of the state in development. It attempts to bridge these perspectives, and largely seeks to address gaps in our understanding rather than correcting existing debates.

The work on welfare states has been strongly focused on the Global North, though recent research such as that of Gough and Wood (2004) has theoretically added to this literature by considering what parts of these theories do or do not apply to the Global South. Such efforts remain largely state-centric, meaning that the historically significant role played by non-state providers (NSPs) is insufficiently considered. Nonetheless, these studies have contributed to the increasing interest in welfare arrangements found throughout the Global South, triggering an interest in the role of NSPs (Cammett & MacLean, 2014). In a collected study, Cammett and MacLean consider a wide array of non-state engagement in social welfare provision, while still recognizing the centrality of the state in their analysis.
Cammett and MacLean’s approach, however, does not adequately address how ideas about who owes responsibilities for social welfare provision and to whom may shape the nature of that provision. As I argued in the Introduction, in contexts where NSPs have been engaged in social welfare provision for extended periods of time, these questions are not entirely settled. As a result, I build on this literature by considering the role of ideas, shaped through the interaction of business and the state, which in turn influences how companies come to take on a role in social welfare provision, as well as state policies towards such involvement.103

In tracing both the root of ideas regarding responsibility for social welfare provision, and how these ideas then come to shape subsequent state and company policies, the analysis developed here begins to illuminate why we may see different patterns of company-state engagement in contexts that may have similar levels of state capacity and may be exposed to similar external pressures. It highlights that in order to understand the impact of international mechanisms such as the UN Global Compact or the MDGs we need to understand how they are filtered through existing domestic institutions.

This analysis also builds on studies of CSR by focusing more strongly on the Global South as well as the emerging literature on the relationship between CSR and development. It corrects much of the existing literature on CSR in the Global South by breaking down precisely what CSR and related terms such as responsible business or private social investment mean in particular contexts.

Though there are now more studies that consider CSR in the Global South (their number is still insignificant by comparison to CSR studies in the Global North), they tend to adopt the term CSR uncritically. CSR is taken to hold largely the same meaning across contexts, and no effort is made to break down any potential conceptual differences. This dissertation shows that the very concepts that fall under the CSR umbrella in Brazil and India hold different meanings. CSR is largely associated with community development in India, while responsible business connotes

103 This is not to say that the welfare state literature entirely lacks a consideration of the role of ideas, however their role has been insufficiently considered in analyses considering the role of non-state providers in social welfare provision.
broader considerations of company practices. In Brazil private social investment is more closely associated with community development, while CSR has come to occupy a meaning similar to that of responsible business in India. Since this conceptual variety characterizes Brazil and India, it could very well exist in other contexts as well. This is important to keep in mind, because any variation in meaning then needs to be explained, and that explanation tells us something about how various practices that we might call CSR have become institutionalized.

This is also related to the second contribution this dissertation makes – it adds to the literature on CSR in the Global South by comparatively tracing how CSR has been institutionalized in Brazil and India. While there have been some efforts to tackle the question of how CSR has emerged in these contexts in the past (which have been referenced throughout this work), this dissertation has contributed to these analyses by considering in greater detail the role of the state within the context of the broader business/state relationship in the institutionalization of CSR.

On the basis of the findings gathered in Brazil and India, I create a theoretical distinction between liberal and statist CSR regimes. While both promote CSR, liberal CSR regimes do so in a manner that focuses on increasing company spending while allowing companies to retain much of the control over the nature of that spending. Statist CSR regimes seek to retain control with the state: CSR is promoted only in instances where the state can maintain some control over the nature of company involvement in socioeconomic development. Such regimes also seek to more closely oversee broader company activities than is the case in liberal CSR regimes. While further research would be needed to establish these classifications more robustly, the distinction is not a binary one, and many states could find themselves on a continuum between having a more liberal and a more statist CSR regime.

This work adds to the development studies literature that considers the role of the state in development. As the Introduction argued, much of this literature focuses on how business and the state interact in promoting economic development. There has been insufficient consideration of how the business/state relationship influences the evolution of systems of social welfare provision, which directly contribute to human development. I address this gap by showing that
the business/state relationship can also shape the pattern in which responsibility for social welfare provision is shared between state and non-state (in this case corporate) actors.

Finally, by creating a novel conceptual framework for understanding how patterns of business/state engagement in social welfare provision emerge under conditions of limited state capacity, this dissertation makes a theoretical contribution to the study of the role of non-state actors in delivering collectively desirable goods in the Global South.

I also hope that this analysis can encourage others to perform similar studies in other contexts throughout both the Global South and the Global North. The trend towards greater corporate involvement in social welfare provision is not simply a Global South phenomenon. Indeed, one of the chapters of Cammett and MacLean’s edited collection directly considers the United States. Allard’s (2014) contribution shows that non-state provision has dramatically increased in the United States in the last four decades. Many of these programs continue to be publicly funded, and many are also run as non-profits. Nevertheless, this signifies a trend away from the state as the primary provider of collectively desirable goods, even in contexts where a more traditional welfare state may have already existed.\textsuperscript{104}

This poses interesting questions about whether we may be seeing a more global trend toward greater involvement of corporate actors in delivering collectively desirable goods. It also suggests that perhaps some of the questions posed in the context of the Global South could also be productively asked within the Global North. While there has historically been a division between the study of the Global North and the Global South, it may be time to begin drawing comparisons between the two. For instance, posing the question of how private actors and the state come to share responsibilities for social welfare provision in the context of welfare state retrenchment in the Global North could be a fruitful point of departure.

\textsuperscript{104} I make this argument recognizing that even in established welfare states, as Esping-Andersen (1990) has so eloquently argued, the role of the market has been more or less important depending on welfare state type. However, the importance of private actors in social welfare provision has been increasing.
Finally, in Chapter 3 I mentioned that this dissertation was inspired by the work of Karl Polanyi and the question of whether, and if so how, CSR could work to re-embed the economy within society. Underlying the linkage between CSR and development is a market logic which posits that the market (and corporate actors in particular) can play an important role in contributing to socioeconomic development. This is at odds with more critical perspectives on development which question whether the profit motive is ever compatible with the promotion of equitable development. This dissertation does not settle these disagreements. However, in tracing the emergence of ideas regarding responsibility for social welfare provision and the role of citizenship in framing these ideas, I show that there is no simple dichotomy between an emphasis on markets versus the state. In both Brazil and India, the state retains an important role in shaping corporate involvement in socioeconomic development, and international mechanisms promoting a closer linkage between markets and development (e.g. the Global Compact) are filtered through domestic institutions. These in turn shape how ideas about the role of companies in development are received and implemented.

3 Looking Beyond Brazil and India

A reasonable question to ask is whether the conclusions developed here can be used to explain outcomes in other contexts. I have argued that Brazil and India represent two types of CSR regimes. However, there are a number of reasons why the two are not typical cases.

The concept of trusteeship, which has affected the evolution of CSR in India, is not found elsewhere, at least not in the same formulation. Trusteeship is rooted in Indian religious concepts while also being informed by a number of western ideas, including the work of John Ruskin and Andrew Carnegie’s views on philanthropy. Moreover, the timing of Gandhi’s promotion of trusteeship – during the independence struggle – played an important role in helping to institutionalize it early within the emerging Indian industrial class. This meant that a core group of Indian industrialists viewed themselves as having an important role to play in the country’s socioeconomic development at a time when the contours of independent India’s system of social welfare provision began to take shape. In Brazil, by contrast, the closest equivalent was the notion of filantropia rooted in the Catholic notion of charity and commitment. My interviews
revealed that this notion has fairly negative connotations in Brazil and has been less central to the evolution of CSR.

Upon closer inspection, however, practices associated with trusteeship are not as unique as they first appear. Philanthropy has a long history in contexts like the United States. Industrialists such as Andrew Carnegie, whose views influenced Gandhi, sought to contribute to a number of causes including education. This emphasis on the role of philanthropy in socioeconomic development did not necessarily diminish with the rise of state systems of social welfare provision. For example, about seven percent of overall health spending in the United States (or some $150 billion annually) comes from philanthropic sources (Shaw-Taylor, 2016, p. 58). While this figure does not distinguish between donations from individuals and companies, it signifies a continuing emphasis on the notion that private actors have a role to play in socioeconomic development.

In a similar vein, there are certain characteristics of Brazil that make it a fairly distinct case. For example, the importation of European immigrants into the country during the shift from a sugar-based to a coffee economy contributed to the strengthening of the notion that the state has a responsibility for social welfare provision. This distinguishes Brazil from many other contexts in the Global South, with the possible exception of former colonies in the Americas.

Finally, both Brazil and India were never fully committed to neoliberal reforms sweeping much of the Global South at the beginning of this century. Though opening up its economy, India always retained elements of neo-Keynesianism (Prakash, 2013). While its expansion of social welfare programs may not have been as extensive as Brazil’s, the establishment of schemes such as NREGA went against prevailing global neoliberal trends. During the rule of the PT, Brazil went even further in expanding social welfare programs and in rebuilding a more developmentalist state.

The underlying tenets of neoliberalism have since come into question across much of the globe, and programs such as Bolsa Familia have become examples that other countries are trying to replicate. Nevertheless, the fact that both Brazil and India have been able to retain a more autonomous politics with respect to global trends and a stronger role for the state in determining
priorities is reflective of their size and importance in the global economy as members of the BRICS. It also means that an analysis developed specifically for these two states may be less applicable to other contexts in the Global South.

The explanations provided here are very much context-based and are exemplars of how ideas regarding shared business/state responsibility for social welfare provision, and ideas of CSR as company engagement in socioeconomic development, have taken hold in Brazil and India. Nevertheless, this analysis is generalizable in one sense: elements of the framework developed here can be adapted to other contexts. The underlying explanatory factors can be tested elsewhere as long as researchers are open to the possibility that other elements may also have an important role to play. In particular, the focus on understanding how business and the state interact to shape social welfare provision is worth maintaining when considering other contexts.

4 Exploring the Implications of Corporate Involvement in Social Welfare Provision and State Efforts to Promote CSR

On a final note, it is interesting to broach the question of the broader potential implications of the phenomenon described here: corporate involvement in social welfare provision. The goal of this dissertation was to explain trends in corporate engagement in social welfare provision, not the resulting outcomes. I did not seek to either normatively or empirically evaluate the impact of either state policies for promoting CSR, nor of corporate efforts to engage in social welfare provision. Part of the reason for this is that it is difficult to identify precisely how the impact of such efforts should be measured. Moreover, what should be the point of comparison? A counterfactual situation where the state is the sole provider of social welfare? Given that broad systems of state-funded and state-run welfare provision were never implemented in Brazil and India, establishing such a counterfactual would be difficult.

Nonetheless, the research conducted for this project does allow for some preliminary discussion of potential implications. It is useful to again return to the analysis developed by Cammett and MacLean (2014) in The Politics of Non-state Social Welfare. One of their goals is to unpack the political implications of non-state providers (NSPs) engaging in social welfare provision. They seek to analyze the impact along three dimensions: access (considering both equity of access and
sustainability); accountability (the ability of citizens to hold providers responsible for the quality of service provision); and finally, state capacity (namely, they consider how the involvement of non-state actors influences the state’s capacity to provide, finance, and regulate welfare).

Taking their discussion as a starting point, I identify several areas in which the potential implications of corporate actors engaging in social welfare provision can be considered. The dimensions discussed here, though related to those enumerated by Cammett and MacLean, are slightly different and include: citizenship; state capacity; coordination; and accountability. My goal in this section is not to provide any definitive conclusions but rather to hopefully raise new questions that could trigger further research.

4.1 Implications for Citizenship

While Cammett and MacLean (2014) consider the political implications of NSP provision for equity and sustainability of access, I address similar questions under the umbrella of citizenship. Questions of access do not sufficiently capture a consideration of which actors carry responsibility for social welfare provision (including perceptions of individual citizens about who is responsible for their welfare), nor do they capture a concern regarding how individuals can make demands for access.

Companies do not generally have any legal responsibility to provide access to any pre-determined group. Companies can be encouraged by various actors (e.g., governments, international organizations such as the Global Compact, or NGOs) to serve particular communities, or they may face demands from local communities. Some companies may even choose to accept those responsibilities. However, company responsibilities to provide and sustain access to social welfare goods are fluid and are likely to be a matter of negotiation. State responsibilities for social welfare provision, on the other hand, are at least in theory less fluid. Democratic states, in particular, should consider the welfare of all citizens.

Chapter 5 showed that in the case of Brazil, ‘regulated citizenship’ under which political and social rights are distributed on a graduated basis (tied to professions) has increasingly been replaced with a more universal conception of citizenship, *cidadania*. With the move towards
cidadania, individuals can make broader demands for social rights since these have become enshrined within the Constitution. Nonetheless, as Dagnino (2005) notes, disputes over citizenship remain a field of political struggle.

In India, while political rights were enshrined more strongly following the country’s independence, socioeconomic rights were relegated to the (essentially non-binding) Directive Principles of State Policy. In recent years this has begun to change with the rise or rights-based legislation such as the Right to Food (2013) and the Right to Education (2009), meaning that the citizen is increasingly seen as a rights-bearing agent (Jayal, 2013). Jayal points to a caveat, noting that this shift has happened at a time when, “the responsibility for social assistance has already been transferred and diffused among a multiplicity of agencies, not all of which are a part of the state” (2013, p. 176). The dynamics of how states treat non-state actors are also reflective of the degree to which states seriously take their commitment to fulfilling the promises of ‘citizenship’.

I have shown that in India the CSR provisions of the Companies Act allow the state to share some of its social welfare responsibilities with corporate actors. Anecdotal evidence suggests that in practice this can mean that the state pulls out of providing certain services in areas where companies are present, or that it can come to rely on company funding for providing those services. This implies that depending on where they live, individual citizens seeking to assert their rights may need to turn to either the state or to companies, or even to both, potentially creating a great deal of confusion.

The nature of the Companies Act does not include any provisions which could reduce that confusion. Instead, the degree to which people will be able to assert their rights is likely to depend on factors such as the receptiveness of the company in question or their ability to pressure the company through other means (e.g., protests). This implies a different set of mechanisms through which rights can be asserted than one’s engagement with democratic institutions and processes such as elections.
This can be contrasted with the case of Brazil, where the state has retained primary responsibility for social welfare provision. Efforts to promote CSR do not involve an abdication of that responsibility and access is still primarily determined through engagement with the state. Where social welfare goods are provided by corporate actors, the institutional mechanisms in place still place some responsibility and control with the state, especially in cases where CSR spending is incentivized (for example through tax breaks or as part of funding agreements with BNDES).

This would seem to imply that a more statist CSR regime is then better suited towards promoting access and an expression of citizenship. However, in cases where individuals may live in areas where the state’s presence is limited, this point may be moot. As a result, the impact on citizenship is likely to be context dependent.

4.2 Implications for Accountability

Closely related to discussions of citizenship are questions of accountability. As Cammett and MacLean (2014) note, here the central concern is whether and how citizens can hold providers accountable for the quality and quantity of services received.

In a democratic society, citizens arguably have mechanisms for holding the state accountable for social welfare provision. This assumption underlies the power resources school of welfare state studies. However, this assumption also implies that elections are won or lost based on programmatic promises. In India, the importance of religious identities in determining electoral outcomes has increased. This shows that sometimes chains of accountability can be weak in practice, which is consistent with Cammett and MacLean’s argument that the reality of social welfare provision in many countries goes against the assumption that states are necessarily superior in ensuring its delivery. They note that engagement with NSPs can empower citizens, and in this manner also change their relationship with the state. Civil society organizations in both Brazil and India have played an important role in pushing for the emergence of rights-based legislation, which has in turn changed the expectations citizens have of the state, improving accountability. It is not clear whether corporate actors can play a similar role.
Chapter 2 noted that while companies regularly claim to be accountable to local communities for the success of their projects, when pressed for details, their conceptualization of accountability is often vague and confusing. This is the case across projects in both Brazil and India. It is also not clear that any of the mechanisms established by the Brazilian and Indian states are likely to have a great deal of impact on improving accountability.

In the case of India, there are no accountability mechanisms built into the CSR clause that will measure the actual developmental impact of CSR projects. By defining CSR as development, the legislation pays little attention to how a company does business. Instead, it raises the possibility that companies can receive a stamp of legitimacy as good corporate citizens as long as they spend their two percent, regardless of how companies operate their businesses more broadly. The legislation is also problematic because it opens up the space for potential rent-seeking activities as government actors seek to strong-arm companies to contribute to either their pet projects, or to national projects that may be supported by the government in power.

In Brazil, it is even less clear what impact state policies towards CSR can have on accountability. Much depends on the case in question. In the case of TACs, accountability mechanisms may be determined by the nature of the individual TAC. With CSR spending incentivized through tax breaks, accountability for that spending is likely to be dependent on broader regulatory frameworks. For instance, if companies are contributing to state-approved programs, then the question becomes whether those programs are themselves accountable to their recipients. Thus, while there is greater upward accountability to the state than may be the case in India, it is not clear that downward accountability to the citizens themselves is greatly affected.

One of the challenges of companies engaging in social welfare provision, then, is that accountability can become further diffused making it difficult for citizens to identify precisely who holds responsibility for social welfare provision. In Brazil and India, it is not clear that state policies in either case are having much of an impact on increasing downward accountability for service provision.
4.3 Implications for State Capacity

Cammett and MacLean (2014) note that considering the impact of NSP involvement on state capacity can be a fraught endeavor. While it can in some cases potentially prevent the state from developing its own capacity to deliver welfare, it can also mean that those states which have minimal resources can focus on particular areas while leaving NSPs in charge of others.

Beyond considerations of state capacity to engage in social welfare provision is also the question of state regulatory capacity. Considering India’s Companies Act 2013, the impact of CSR provisions on state implementation capacity is ambiguous, but the impact on state regulatory capacity is potentially negative. The nature of the CSR provisions implies that companies can receive a stamp of legitimacy for spending two percent of profits on CSR while also engaging in questionable business practices. If the state’s regulatory capacity is generally low, as has been the case in India, then the CSR provisions can potentially further undermine the push for improving that regulatory capacity.

Implications for implementation capacity are ambiguous. Chapter 6 gave the example of a representative of the Indian Institute of Corporate Affairs who argues that the inclusion of companies in social welfare provision is going to have far-reaching effects, helping to trigger change in the entire system of social welfare provision. However, the mechanisms by which this is supposed to happen are not clear, and much faith has been placed on the expectation that civil society will act as a watchdog. At the same time, civil society has been under constant pressure, meaning that its ability to fulfill its advocacy and watchdog roles has been compromised.

Brazil’s more statist approach has meant that the potential impact of corporate involvement in social welfare provision on state capacity is likely to be smaller. This refers to both implementation and regulatory capacity. A mechanism such as a TAC agreement has the potential to have a positive impact on regulatory capacity. As was discussed, a TAC is usually used when companies already break the law in some form. Rather than the state taking companies to court for a lengthy period of time, a TAC can be designed to change company behaviour.
Thus, while some preliminary conclusions can be made about how state efforts to promote CSR can in turn impact state capacity, overall the impact of individual CSR projects is difficult to predict. Much depends on the nature of the project in question, and on how it is implemented.

4.4 Implications for Coordination

Chapter 2 noted that one of the major challenges facing corporate social responsibility projects in both Brazil and India is coordination. Since companies are often partnering with civil society or even with government actors, problems of coordination arise and can negatively impact projects. CSR practitioners in both Brazil and India recognize this problem and lament the difficulties of engaging with other types of actors. However, problems usually arise because companies do not trust NGOs and government actors (often the feeling is mutual), and because the very language used by these actors can differ. Companies expect NGOs ‘to speak their language’, which often implies a focus on numbers and on how money is spent.

The question of coordination can also be considered at another level—the level of social welfare provision more broadly. When companies engage in community development projects, there is a concern about how this engagement fits with the work of other (particularly state) actors. Namely, there is a fear that company involvement will simply result in duplication.

Some of my interviewees in India expressed the hope that the new Companies Act and the work of the Indian Institute of Corporate Affairs will bring about coordination at both levels. It is not clear how this should take place, however, since no concrete mechanisms for achieving coordination have been elucidated. Instead, many of my interviewees were concerned that the Companies Act will primarily serve to produce more ad hoc projects which will co-exist with the myriad development efforts already being run by the Indian government. While responsibility is further diffused, the question of coordination for individual programs will be determined by the dynamics of each project and coordination at a broader level will remain elusive.

In Brazil, CSR projects not incentivized through state efforts (e.g., TACs and tax breaks) are not subject to any mechanisms that could promote coordination. The nature of TACs and tax incentives does allow for possible coordination between state and company development efforts.
But the existence of these mechanisms does not automatically ensure their utilization, and further research is needed to understand whether coordination at this broader level takes place.

5: Concluding Observations

When I began this research in 2014 both India and Brazil were holding general elections. In India, these resulted in Congress losing power to the BJP, while the PT under the leadership of Dilma Rousseff was once again victorious in Brazil. Both countries have undergone some important changes in recent years, though these have proven to be more turbulent in the case of Brazil. Rousseff was impeached in 2016, and her successor Michel Temer went to great lengths to undermine the PT’s policies, particularly with regards to social welfare provision. This triggered protests across the country throughout 2017. A new election in October 2018 brought to power Jair Bolsonaro, a right-wing populist intent on dismantling Lula’s legacies. Despite this, cornerstones of social welfare policy, including *Bolsa Familia*, have such widespread support that they are unlikely to be touched by any government. While Bolsonaro began as a critic of *Bolsa Familia*, as his electoral campaign progressed, he instead pledged to expand it.

In India, the BJP has kept a strong hold on power since its election but some of its most notable policies (including a controversial decision to scrap the INR 500 and INR 1000 notes) have proven highly unpopular and have disproportionately hurt the poor. Perhaps in partial response to this, the Indian government has recently announced plans to provide free healthcare to half a billion impoverished Indians (Goel & Kumar, 2018). Though this suggests greater state commitment to social welfare provision, the government has not indicated how it plans to pay for this program nor how it would be implemented, leading many commentators to describe it as largely an electoral ploy in advance of the 2019 elections. As a result, it is not clear that this announcement signals a significant shift from current trends in social welfare provision. At the same time, the CSR provisions of Companies Act 2013 are slowly becoming implemented, with most companies affected by the Act spending the requisite amount on community development projects (Jayaram, et al., 2017).

This suggests that since fieldwork research for this project was completed, both countries can be characterized as experiencing both continuity and change. While the conclusions provided here
largely refer to the period ending in 2015 when fieldwork was completed, the arguments presented still remain relevant.
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