Project Title: Development of Corporate Social Responsibility in Croatia

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FINAL REPORT

of the Regional Forum on Corporate Social Responsibility
for Small and Medium Businesses in Central and Eastern Europe

Zagreb, 9-10 March 2006

Ministry of Economy, Labour and Entrepreneurship of the Republic of Croatia

in collaboration with

Ministry of Foreign Affairs and European Integration of the Republic of Croatia

Ministry of Environmental Protection, Physical Planning and Construction of the Republic of Croatia

Croatian Cleaner Production Centre

and

with the support of the

Government of the Republic of Hungary
EXECUTIVE SUMMARY

As one of the outputs of the pilot Project «Development of Corporate Social Responsibility in Croatia» (hereinafter referred as „the Project“), the Forum focused on reporting on the activities of Croatian SMEs within the framework of the Project. UNIDO's Tripple Bottom Line Approach served as a Project programming basis, and provided tools for integrating CSR principles in a business policies of participating SMEs.

Project team reported on attained improvements, especially in environmental area, where implemented principles of cleaner production resulted in reduction of waste and pollutants. The Project brought the sound evidence that Improved performance in the fields of productivity, environmental protection and relations with employees generate financial benefits.

Participants acknowledged with satisfaction the outcomes of the Project, and evidences on enhancements provided by Croatian SMEs motivated vibrant debate on modalities of transfer of Croatian experiences to the countries in region.

Representatives from New EU Members States contributed a wealth of information on current status of CSR policies in their countries, which other participants find particularly valuable in the light of harmonization with EU policies which includes adoption of high standards and finding ways to cope with global competition.

Countries from the Region participating in the Forum are traditionally familiar with the CSR values, but it is evident that their potentials are not fully exploited. Rapid changes in the internal markets and in relationships between stakeholders demand changes in mind-sets. The accession processes impose even stronger pressure to raise the level of involvement concerning CSR. To this end, the awareness need to be raised and resources need to be made available and accessed within the institutional set-up. Priority should be given to establishment of the Regional contact point for CSR which should serve as a platform to foster exchange experiences and information on best CSR practices.

I. ORGANIZATION OF THE FORUM

A. INTRODUCTION

The most of CSR projects, conducted during the past several years all over the world, was focused on large businesses, but the results of UNIDO’s Tripple Bottom Line (TBL) Approach the cleaner production projects implemented in 2001 and 2002 in India, Pakistan and Sri Lanka, indicated that this system is well functioning at the SME-s level. The TBL approach comprises the economic, environmental and social components of the corporate sector and was developed to enable the SME-s to improve the environmental impact and the impact to the community, what assists them not only in meeting the CSR needs but also in improving the financial performance both through export and reducing the costs.

Valuable UNIDO's experience served as a programming base for Croatian pilot project, aimed at providing assistance to Croatian SME's in implementing the CSR principles in their business policies. The goal was to create an example of good practice, i.e. to make available the CSR methods and instruments to SME's in Croatia and the region.
In April 2004 Mr. Branko Vukelić, Minister of the Economy, Labour and Entrepreneurship of the Republic of Croatia and Mr. Carlos Magariños, director general of UNIDO\(^1\), have signed the project document and launched the project «Development of Corporate Social Responsibility in Croatia» (hereinafter: Project). UNIDO's Croatian Project partners were the Ministry of Economy, Labour and Entrepreneurship, the Ministry of Foreign Affairs and European Integration, the Ministry of Environmental Protection, Physical Planning and Construction, and the Croatian Cleaner Production Centre.

The Project was launched comprising the following goals:

1. To demonstrate to the stakeholders in Croatia by dissemination of CSR good practice examples and experience that this concept can have positive impacts to business operations of small and medium enterprises (SMEs), as well as the society in general.
2. To provide for capacities related to CSR in Croatia, through which the institutions supporting the industry can assist the business sector (in particularly the export oriented SMEs) in utilization of practical methodology and appropriate instruments, which will provide for the most profitable harmonization with the CSR requirements and the standards of global supplier chains and consumers.
3. To prepare the CSR business plan and more generally establish the schedule of the national CSR implementation, in partnership with institutions of the public and private sector, in particularly with the Croatian National Cleaner Production Centre and companies, aimed at promotion of sustainable SME sector in Croatia. The project has developed the conceptual framework for Croatian CSR policy and advanced the practical methodology with support instruments used by the SMC-s in Croatia for efficient CSR implementation.

In line with those goals, four companies were selected to participate in the Project: **PPM d.o.o.** from Čakovec, **KIO - Keramička industrija d.o.o.** from Orahovica, **LURA d.d. - Tvornica Sirela** from Bjelovar and **SIPRO d.d.** from Umag, implemented methodology based on the TBL approach, aimed at:

1. increasing productivity
2. improving working environment, industrial security, relations between the employers and employees, as well as the company and the community in which it is operating
3. identify the environmental impact and adoption of cleaner production principles.

UNIDO’s rather innovative approach of simultaneous implementation of measures in all three areas, in relatively short period resulted with companies' reports on improvements attained, especially in reduction of waste and pollutants, by focusing on a prevention during the production process. Performance improved in the fields of productivity, environmental protection and relations with employees evidently generate financial benefits and raises the level of competitiveness.

Based on the Croatian experience, UNIDO has been asked by other Governments to extend the CSR programme towards other countries on a regional basis, namely to

\(^1\) Mr. Carlos Magariños – UNIDO's DG 1997-2005
Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Romania, Serbia and Montenegro and Slovenia.

In order to start such a comprehensive regional programme, UNIDO, jointly with the Government of Croatia, the Croatian Cleaner Production Centre, and with the Hungarian Government’s financial support, organized the Regional Forum on Corporate Social Responsibility for Small Businesses in Central and Eastern Europe. The Forum brings together small and large businesses, organizations from the private and public sector, academia and Governments from the Region and eminent experts from around the world.

Forum was held in Zagreb, Croatia, on 9th and 10th of March 2006. Participants consisted out of 70 representatives of the Ministries of Economy, Environment, Trade, Energy, Transport and Foreign Affairs, business communities, academic communities and NGO's from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, France, Hungary, Macedonia, Poland, Romania, Serbia, Slovenia, and Sweden. A list of participants is contained in annex II.

B. OBJECTIVES

Background

a) Croatian economy at a glance

In 2005, the Croatian economy has registered a growth of 4.3%, reflecting thus positive tendencies in a number of sectors: industry, civil engineering, trade and catering industry. It has realized GDP of 38.5 billion USD, or 8,700 USD per capita. In 2006, it is expected GDP growth of 4.5%. In the structure of GDP dominate services with a share of 68%, industrial products 24% and 8% agricultural products. In 2005, industrial production has registered a growth of 5.1%, compared to 2004. The tendency of growing continued also in the first two months of 2006, industrial production increased by 7.3% as compared to the same period 2005. Total commodity exchange in 2005 amounted to 27.3 billion USD, import amounting to 18.5 billion USD, which is 11.8% more than the last year, and export amounted to 8.8 billion USD, which is 9.8% more than in 2004. Positive economic indicators for the previous year, besides greater growth of goods and services export than growth of goods and services import, completes also the increased industrial production.

In the course of 2005, the annual level of the inflation rate was 3.3%. It was mainly influenced by the price growth of oil products and foodstuffs. Key indicators for the labour market in the period 2000-2005, indicate unemployment rate decrease from 16.1% to 13.1%. The average net salary in 2005 was 740 USD. A great contribution to the economic growth has been given by a constant increase of foreign direct investment (FDIs). Successfulness of the up to now undertaken investment incentives with a purpose to create favourable investment climate and increase Croatia’s attractiveness, either for domestic or foreign investors, confirm figures according to which in the period 1993 – 2005 foreign direct investments to the Republic of Croatia amounted to 11.3 billion Euro, the major part coming from Austria, Germany, USA and Hungary. The structure of investments shows that the majority of investments are concentrated on service sectors mainly oriented to business running on domestic market. At the same time, greenfield investments in manufacturing export oriented activities have failed and therefore the positive effects of FDIs on the entire economy. The experience of the Central European transitional countries evidence that precisely the export oriented FDIs assure the spill-over effect into other
sectors of economy, encouraging the growth of productivity and competitiveness of the overall economy.

b) Economy in the Region
Businesses in CEE have had a difficult period in last decades, facing the economic burdens of destruction by war, loss of traditional markets, privatization and transition to a market economy, all at the same time. At the same time, those who have survived are faced with the economic and business challenges posed by the region’s wish to accede as soon as possible to the EU. All these pressures mean that businesses have changed substantially in a short period, modifying their performances and adjusting their strategies, and that they must continue to change at an equally rapid rate.

In particular, new policies and businesses pressures in their greatest actual and potential market, the EU, are pushing enterprises in CEE to commit to CSR. The value of CSR has already been recognized by some leading enterprises, but currently Governments do not have a policy framework within which they can coherently encourage and support the adoption of CSR practices by enterprises in the respective countries, and the enterprises do not have any methods or capacities available to them that could allow them to adopt CSR in the most cost-effective manner.

Croatia confirmed its readiness to contribute to the establishment of conditions for unrestrained economic cooperation in the CEE signing CEFTA Agreement back in 2002. Being committed to support establishing CSR friendly environment in the Region as well, Croatia will promote CSR values within the framework of forthcoming rounds of CEFTA negotiations, since CEFTA is not only efficient framework for development of trade relations between Member States, but it is also very successful mechanism for preparation of Member States for the EU accession processes.

c) SME Sector in Croatia
The SME sector in Croatia is made of approximately 67 000 entities that provide a major impetus for economic development. They account for 99% of the total number of companies in Croatia, and some 96,5% of SME’s are privately owned. Apart from companies which are legal entities, the small business sector also includes crafts - natural persons who number some 105 000 and additionally employ around 145 000 of workers. Hence, the Croatian SME sector accounts for approximately 65,5% of total employment. This sector generates about 55% of GDP, with its share in total Croatian export for 25%, and that of total assets in the Croatian economy to 37,5%. As a rule, companies within this sector achieve a good business results, due to their adaptibility to changes of business conditions in the market, and their openness up to structural changes faster than other segments of the economy. They are aware that they have to make preparations for access to the common EU market and, among others, to invest significant resources in meeting the CSR requirements.

d) CSR in Croatia
The values of the CSR have a tradition in Croatia, however in the last several years the critical mass of large companies was created, embracing the globally adopted CSR instruments and creating added value to the Croatian economy.
«The private sector in Croatia, ...is adopting the CSR concept, and in favour of this speaks the fact that the CSR improves the image, provides for better business acceptance,
increases competitiveness and provides for long-term sustainable development of companies running business in Croatia and the South East European region.²

According to research carried out in 2004 by AED and IBLF, as well as the MAP Counselling (outcomes of research are incorporated in the “CSR Overview in Croatia”), the Croatian companies are most active in following CSR areas:

1. **Basic business practices** (i.e. those related to basic business activity) – investment in human resources development, education and qualification; improvement of product and processes quality standards; care for consumers; processes of environment management development, as well as investments in ecologically efficient technologies and education;

2. **Involvement in the community and corporate giving** – mostly donations in money and in kind directed towards NGO-s and other organizations active in the areas such as sports, health care, children, youth, socially marginalized groups and others;

however, there are cases of strategically structured approaches, linking the basic business activity of the company to the wider responsibility to their numerous stakeholders.

Alongside with adoption of various models of corporate social responsibility within the Croatian business community the awareness of the values and importance of CSR increases at other society levels as well. In the recent two years a number of CSR related initiatives were launched from different resources, aimed at status assessment, recognizing obstacles and identifying the possible ways of developing CSR friendly environment in Croatia.

Each of the mentioned projects was being implemented more or less independently, with respect to financial resources and experts involved, however the results of their researches are mostly overlapping; consequently the unofficial consensus was achieved in CSR in Croatia. Identified were the major challenges Croatia is facing in the CSR area: limited CSR knowledge at all social levels, currently not clearly defined role of the state, lack of mechanisms for multisectoral connecting, inadequate reporting on CSR related activities in all sectors, lack or underdeveloped methodology for monitoring of success (this in particularly refers to social aspect of CSR), as well as insufficient educational programmes for entrepreneurs and consumers.

The need was revealed to adjust and integrate the existing initiatives and coordinate the activities at one place, assemble information and disseminate the examples of good practice relating to CSR. It was also revealed, that apart of the positive cases from the “real sector”, indicating that CSR assists the companies in increasing competitiveness through enhancing productivity, reducing costs, advancing the sales, human resources development and establishing of trust³, the need exists for stronger political support.

Croatian Government within the accession process initiated both harmonization of national legislation with the acquis, and acceptance of values that are not necessarily regulated by the law. Also, being aware of the fact that is not enough to just provide for functioning with the least possible burden to the tax payers, it launched an integral package of measures in accordance with Lisbon Strategy, which reflects its holistic approach in transformation to a competitive, regionally balanced and socially and environmentally responsible economy.

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³ see: CSR/SME Interface na www.unido.org/en/doc/5162
e) Government's Role

In the accession process the Government of the Republic of Croatia has initiated the harmonization of national legislation with the EU acquis communautaire and the "Croatian economy has already achieved high level of EU integration." By its Pre-Accession Economic Programme for 2005 – 2007 the Government of the Republic of Croatia has (in November 2004) launched an integral package of measures in accordance with the “Lisbon strategy”, which evidences that the state is committed to establishing CSR friendly environment. Although the business community should be the most credited for development of CSR, the Government is the body responsible to define the framework and conditions, granting to all the players equal rights and responsibilities. In this respect, four key roles of the state with respect to CSR were defined at the multisectoral workshop “CSR in Croatia”, (organized by the MELE and UNIDO in November 2004): mandating, facilitating, endorsing and partnering, i.e. defining the minimum of legal standards for running business, facilitating the business operations by means of incentives, supporting the examples of good practice and establishing of strong public-private partnership.

Notwithstanding the fact that the entrepreneurs' motives for implementing the CSR principles in their business policies can range from contrivance of a more sophisticated marketing instrument to contrivance of the balance between the current and future needs of the society, one can not omit their socially responsible activities to bridge the gaps which could not be compensated by the state and/or the local self-government by themselves (mostly due to the lack of financial resources).

Each activity having positive impact to social community and environment in each respective dimension should be recognized, supported and promoted by the state. According to MELE's viewpoint the CSR should remain what it actually is – the voluntary breakthrough of the companies above the limits set by the law. Such breakthrough shall almost certainly encourage the other companies to do something similar, what can at the end result in change of legal frameworks, but Croatian Government consider that the proliferation of CSR related regulations would be contra productive. The overregulation would be in particularly dangerous for SME's what would have a negative impact to economy in general.

Objectives

Taking into account UNIDO's experience, given background, and outcomes of the Croatian CSR Project, objectives of the Forum were defined:

1. The principle objectives are to present and discuss the achievements of the Project and to explore possibilities for the extension of the programme concept into the countries in the Region.

Project implementation agency was Croatian Cleaner Production Centre (CCPC), the NGO – national member of UNIDO centres network. Project team (PT) consisted out of CCPC experts with the support of experts in the productivity and social domains. PT selected the

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4 The Opinion on Croatia's Application for EU Membership (COM / 2004/0257) - avis
Communication from the Commission – Opinion on Croatia’s Application for Membership of the EU (COM/2004/0257final)

companies to participate and using UNIDO’s experience defined implementation methodology. PT activities over a 8 months period included introductory workshop, five round of individual visits / trainings, and two seminars. More specifically, PT run trainings introducing TBL components, assessed state of play concerning productivity, environmental and social impact of the companies, individually for each company identified areas of intervention, introduced new inputs in all domains, supporting companies in introducing 5S and 3M methodology, and reviewed progress made.

The results of the Project may serve as a basis for providing the new framework of business management, new modalities of analyzing production processes and decision making to enhance the capacities and productivity and social domain.

2. More specifically, the Regional Forum pursued the following issues:

- How can small and medium enterprises implement, evaluate and report socially responsible business practices?
- How can the public sector support these efforts?
- How can a regional approach help to disseminate know-how and expertise on implementing CSR principles in small and medium enterprises?

Responsible entrepreneurship is essentially about maintaining economic success and achieving commercial advantage by building reputation and gaining the trust of people that work with or live around a company. Customers want a reliable supplier with a good reputation for quality products and services. The community wants to be confident that businesses operate in a socially and environmentally responsible way. Employees want to work for a respectable company which values their contribution. It is evident that companies, in order to remain competitive, need to be able to answer to a number of CSR drivers that have appeared in recent years, such as pressure from customers or local communities. SME's flexible nature allows them to promptly answer the changes in market conditions, but at the same time, due to lack of human and/or financial resources being responsible not seems to make a good business sense. UNIDO's SME - tailored approach, used in Croatian Project, proved that there is a strong business case for SMEs.

One of the goals of the Regional Forum was to answer the question „What does responsible entrepreneurship mean in practice?“, i.e. how to tackle these issues for the first time, how to identify relevant start-up point for specific company, what are indicators to be measured, how to measure, how to evaluate results and how to report on them. Moreover, steps taken in process of the implementation of Project were presented in detail, and attention was given to financial impact of implementation.

Furthermore, the Government’s Role in supporting entrepreneurs’ endeavours had to be examined particularly in the light of processes of stabilisation and accession of the countries in the region to the EU. CEE Governments are under strong pressure to harmonize its legislative systems with acquis communautaire, and to adopt policies and values that are not necessarily prescribed by the law, such as CSR. Having at the same time in one place representatives from governmental institutions, business community, academia and NGO’s, Forum was the excellent opportunity to elaborate the possibilities for the Government to endorse existing and create new mechanisms or instruments for supporting companies to engage with the CSR.

Also, regarding positive CEFTA experience, Croatian Government concerns regional approach in creating mechanisms for dissemination of knowledge and experiences to be
very valuable. Therefore, Forum intended to launch discussion and offer a platform for networking of public and private sector on regional level, aiming at facilitation of transfers of experiences and specific knowledges on CSR, and eventually developing common integrated approaches for CSR policies.

C. CONCEPT OF THE FORUM

The Forum aimed to bring together top political leaders, business executives and experts, to launch a broad discussion on policy and company interventions. More specifically, intention was to generate commitments for creating a comprehensive policies allowing countries in the region to better use its potentials, to support existing initiatives in public-private cooperation, and to provide strong business cases to be examined by the business sector representatives. The decision-making process concerning concept of the Forum was based on UNIDO’s research and technical cooperation programmes that have shown that the implementation of CSR concepts requires interventions at two levels: the policy and the enterprise level.

Firstly, there is a clear need for a ‘national responsible business strategy’ pulling together the wide range of existing policies and filling in gaps with new policy. Such a strategy should have high-level political support and – preferably - an individual champion of credibility and vision. The strategy should provide ‘joining-up’ mechanisms between government departments and ensure that they are responsive to each other and able to engage with stakeholders in policy formulation. It must also ensure adequate resources to support the implementation of the strategy.

Secondly, there is the further need for practical support for SMEs in translating CSR principles into practical support measures, thereby helping SMEs to integrate CSR into their daily operations. UNIDO’s programmes here focus on the analysis of a company’s environmental, social and economic performance, facilitated through it assessment tool REAP (Responsible Entrepreneurs Achievement Programme). Based on this analysis, the work with companies integrate company support towards the application of cleaner production methodologies, systems of occupational safety and health, built-in into a comprehensive quality and productivity enhancement programme yielding an improvement at all three bottom lines: financial, environmental and social.

The Agenda - setting process aimed to reflect these requirements. (The Agenda of the Forum is contained in annex II.)

Also, prior to the Forum, the representatives from Government Institutions from the countries in the Region were invited to prepare the presentations on the best CSR practices in their respective countries. The information collected provided realistic overview of the current situation in the Region.

The Forum was structured into five plenary presentations and two panel discussions on the first day, and six plenary presentations and closing discussion on the second day.
D. OPENING STATEMENTS

Opening address

Delivering the inaugural address on the occasion of the Regional Forum on CSR for Small Businesses, H.E. Branko Vukelić, Minister of Economy, Labour and Entrepreneurship of the Republic of Croatia briefly informed on steps Government took in order to encourage entrepreneurship, promote exports and foreign investments, taking into account environmental and social component of development. Minister Vukelić stated that CSR is extremely layered field that is mirroring complexity of our societies, and providing evidence that every action we take has its consequences. In that light, the complexity of CSR can not be obstacle, rather guideline. For the Croatian Government CSR is not just another buzz word, nor sophisticated marketing tool, but the only possible way to attain long-term sustainable development. Therefore, the Government will continue in identifying, endorsing and supporting activities of positive impact on social communities and environment. Through the co-operation with the UNIDO, the Croatian SME-s, and other stakeholders in the course of the Project, “CSR Development in Croatia”, the role of the Government was specifically examined and some further steps were proposed. Being fully aware of the fact that it is not enough to just provide for functioning with the least possible burden to taxpayers, the Government will dedicate particular attention to proposed recommendations in the years to come.

Keynote addresses

1. H.E. Sir John Ramsden, Ambassador of the United Kingdom of the Great Britain and Northern Ireland to the Republic of Croatia addressing the issue of Governments role in the context of CSR noted that CSR matters to governments because an enlightened and responsible Corporate Sector is a vital partner for Government in all sorts of ways. Modern companies are sophisticated, knowledge-based organizations which need stable, prosperous societies to operate in. They absolutely need the rule of law and predictable legislation, well-educated, creative, motivated employees, a sound infrastructure, as well as social harmony and they need a stable and peaceful world in which international trade and investment can flourish. All these things tend also to be at the heart of government programmes as well. Moreover, Governments cannot deliver these things without the active help of the private sector. In the framework of EU enlargement process, there is no doubt that CSR helped by helping the corporate sector to adapt to the very different role which it plays in a modern industrial – or post-industrial – society. That is why the UK has been glad to help foster CSR in the new member states and intends to be active in Croatia as well. H.E. Sir Ramsden also stated that the UK Embassy will be delighted to help in any way it can in the future plans for CSR in Croatia.

2. Mr. Dmitri Piskounov, Managing Director of UNIDO’s Programme Development and Technical Cooperation Division, pointed out that social responsibility was first driven by public pressure against egoism of companies. This led to the establishment of 10 Rules of Global Compact (GC). GC calls on businesses to integrate into their core business operations a set of universal values in the areas of human rights, labour, the environment and anti-corruption. Through this principle-based approach, companies help promote
sustainable development and share the benefits of globalization more widely. Among different kinds of technical cooperation UNIDO has been advocating for CSR in CEE through the Global Compact, as well. Furthermore, Mr. Piskounov noted that UNIDO regarded SMEs as one of the main drivers of industrial growth, and emphasized the importance of incorporating the private sector as an equal partner in the formulation and implementation of projects in the region. He also noted that there is an increasing demand by the enterprises in CEE countries for the incorporation of socially responsible corporate behaviour and compliance with best environmental practices as fundamental components of their business plans.

II. PROCEEDINGS

1. The Project Report - Development of Corporate Social Responsibility (CSR) in Croatia

Mr. Kai Bethke, CSR Programme and Business Partnerships, Private Sector Development Branch, UNIDO

In order to provide the background information, Mr. Bethke held the presentation on the development of CSR in CEE. In introduction part, he elaborated definition of CSR and explained the drivers for CSR. Assessing the impact of CSR for SMEs, he stressed the value of CSR practices implemented in business policies as a precondition for cooperation with TNC. Also, Mr. Bethke gave the overview of UNIDO’s activities concerning CSR, as follows:

- Networking of CSR partnerships
- Link to existing institutions
- Capacity building for practical support
- Awareness Building
- Develop demonstration cases at company level
- Establishment of public-private dialogue
- Platform for experience sharing
- Based on a structured format

Furthermore, he stressed the importance of the regionalization, in the framework of initiatives arisen in last several years, such as UN Global Compact, ISO 26000, World Business Council for Sustainable Development, CSR Europe and European Commission CSR Initiative 2005. Describing UNIDO’s work in Croatia, he elaborated all components of campaigning, practical work with SMEs and policy promotion.

Mr. Goran Romac, Programme Manager, Croatian Cleaner Production Centre

In his presentation Mr. Romac pointed out that the goal of the Project was to use global and local experiences and implement it in business policy of several Croatian SMEs as well as to strengthen CSR Capacities in institutions – support to the business sector and finally – through the sharing of achieved results show other companies how to enhance their business.

Methodology, based on TBL approach, was implemented in three main areas:

1. productivity – goal is to support a more efficient and systematic organization of the workplace, as well as higher productivity of the production process itself
2. social domain – focused towards the working conditions, employees, health care, as well as work safety
3. protection of the environment – ensure a more rational use of resources and energy, as well as to decrease the quantity of waste and emissions into the environment (cleaner production issue)

Companies that were a part of this project:
- KIO Orahovica d.d. (ceramic tiles manufacturer)
- LURA d.d., Tvornica Sirela, Bjelovar (milk industry)
- PPM d.o.o., Čakovec (production and manufacturing)
- SIPRO d.d., Umag (chemical industry manufacturer)

Business activities were analysed according to the above-mentioned points of methodology. There were two types of indicators:
- **Qualitative** – related to policies – they mirror the policy of the company
- **Quantitative** – results of the implementation of measures taken and company’s policy.

**Activities that were undertaken included:** selecting the companies for the participation in the Project; defining the indicators for the monitoring of work; training and education in cleaner production and increasing the production; consultations and work in companies; defining the methodology in the implementation of CSR. In addition, for the first time a methodology is written based on experiences of work with these companies.

**Results of the Project included:**
- activities related to the implementation of CSR in four companies
- providing the new framework of business management/working
- new mode of thinking and analyzing production processes, as well as the mode of work and decision making
- enhancing the capacities of CCPC: productivity and social domain

**Mrs. Caroline Sawicki, CSR Advisor, UNIDO**
Mrs. Sawicki presented work with the companies in social domain. Customized approach is developed for the social domain according to the following topics:
1. Situation assessment (Employees’ satisfaction survey)
2. Project input (Social domain seminar, Social domain reference material)
3. Identification of potential areas of intervention (Establishment of priorities, Implementation of concrete measures)
4. Impact review

**Thematic coverage included:**
1. Working hours
2. Wages and benefits
3. Freedom of association
4. Health and safety
5. Discrimination and harassment
6. Forced labour
7. Communication employees- management
8. Employees’ satisfaction
In the domain of Health and Safety the following measures were taken:

- Risk assessment
- Training (ILO training material, MINGORP Health and Safety Dpt, Holcim Hrvatska d.o.o. case study)
- H&S measures
- Support in identification of training needs

Employees satisfaction was measured by Social domain questionnaire. Self-assessment tool, aimed at raising awareness of employees on social Domain, as well as to providing insight to management on priorities. It contains 32 questions on social domain issues and it can be linked with performance indicators (5 questions).

2. Panel Discussion: The Government's Role in Facilitating CSR

Moderator: Mr. Kai Bethke, CSR Programme and Business Partnerships, Private Sector Development Branch, UNIDO.

The multisector Workshop, held within the framework of the Project, in November 2004 in Zagreb, resulted in defining the four roles of the Government: mandating, endorsing, partnering and facilitating. The objective of this discussion was to examine the possibilities for the governments to encourage existing and create new mechanisms or instruments for supporting companies to engage with the CSR.

The discussion began with opening statement by Mr. Ivan Bračić, Assistant Minister of Economy, Labour and Entrepreneurship of the Republic of Croatia.

Mr. Ivan Bračić, Assistant Minister for Small and Medium-Sized Companies and Cooperatives (MELE) informed about the scope of SME-measures developed and implemented by MELE, that include the following groups: promotion, education, informing, professional assistance, providing and allocation of financing, establishing of institutional support, introducing of innovations and harmonization of legal regulations. Furthermore, Mr. Bračić pointed out that the limits to voluntary corporate social responsibility are framed to a large extent by issues of public governance. In order to gain all stakeholder's responsible behaviour the Croatian Government is persistent in facilitating SME business activities, using instruments in accordance with the EU standards.

Mr. Petar Pavlović, Assistant Minister of Economy of the Republic of Serbia stressed the fact that implementation of CSR measures does not necessarily requires substantial financial investments - e.g. several Serbian SMEs reported on significant progress in productivity performance upon adopting new organizational models of production.

Ms. Elma Gacanovic, Expert, Ministry for Foreign Affairs of the Kingdom of Sweden, in her presentation pointed out the importance that is given to CSR in Sweden. Also, the concrete examples of government's actions have been supplied. Operational objectives of the Swedish government in this field include: upholding human rights and the principles of sustainable development, strengthening the competitiveness of Swedish companies and increasing the knowledge of multilateral regulatory framework (Global Compact OECD).
Swedish Partnership for Global Responsibility has been working on both political and more operational level and is facilitating different activities:

**External:**
- Open Seminars and Workshops
- Seminars on ministerial/CEO-level
- Homepage with toolbox for companies
- Research forum

**Internal:**
- Cross-cutting function
- Embassies as local partner
- Inventory of tools; public procurement etc

**International:**
- Information/education
- Policy discussions
- Seminars/workshops
- Studies
- Bilateral cooperation
- WTO Hong Kong

All of these activities aim at giving business and other interested parties opportunity to develop their competencies on CSR.

As a conclusion, it was pointed out that the Government’s role through the promotion of CSR in government-owned companies should serve as an example for private-sector companies.

The participants also discussed the main obstacles that are in direct correlation with the insufficient motivation of the entrepreneurs for implementation of CSR principles, in order to identify the most useful instruments to be offered to the entrepreneurs. Obstacles were identified as a lack of: comprehensive and coherent information on CSR, knowledge on the positive impact of the environmental and social improvements to the financial performance, technical and human resources/capacity in SME’s, practical guidelines for implementation of CSR, and practical tool for measuring and reporting on CSR activities and achievements. The participants particularly set forth the issues of raising awareness on CSR and measures for ensuring transparency in their respective countries in both private and public sectors. The participants agreed that the need of establishing a Regional CSR focal point is evident.

3. **Presentation - Corporate Social Responsibility**

Mrs. Marta Szabóne Molnar, Deputy General Director, Ministry of Economy and Transport of the Republic of Hungary, in introductory part gave the background information on Hungarian SME sector, as well as the main priority of the Hungarian Government:
Hungarian SME’s
In Hungary there are approx. 900,000 operating enterprises (99.9% of which are SME’s). Approximately 45-48% of GDP is given by SME’s and they produce 25% of Hungarian export. Also, Hungarian government puts a great emphasis on the increase of the competitiveness of the entrepreneurial culture.

Main tasks of the Hungarian government are:
• ensuring the steady flow of information from the macro level to the micro one
• providing information on EU regulation, quality requirements, packaging, etc.
• promoting the better understanding of rights and obligations
• giving professional and financial assistances (incl. training, consultancy, educational programs)

Basic Goals
• „shake up” and „make aware” entrepreneurs of their tasks required by the accession
• „point out” the minimum technical requirements which they have to meet by all means
• „highlight” the steps that should be taken specifically in order to survive

Furthermore, Mrs. Szabóne Molnár informed on Hungarian government’s activities concerning CSR:
• Cross Bordering Programs
Goal of this program is the transfer of knowledge, training and consultancy in mother tongue (Motherland program). It aims to endeavour the regional cooperation, as well as to realize common economical and infrastructural projects.
• Roma program
Total population of Hungary is approx. 10 million inhabitants living in Hungary, about 700,000 inhabitants are Roma ethnic minority. Tender had been launched by the Ministry of Economy and Transport to help Roma entrepreneurs.

• Junior Achievement Hungary (JAM) was established by the Ministry of Labour and the Soros Foundation. The program is intended for students (14-19 year olds). Its goal is to disseminate economic, market economy and entrepreneurial skills and develop their business planning capabilities.

• National Development Plan (NDP) incorporates: Economy Competetiveness Operational Program (including SME development goals), Human Resources Development Operational Program, as well as the Environmental Protection Operational Program.

These programs help entrepreneurs to:
• promote better to the results of the economy of the given country
• produce products of high quality
• keep the law, rules, prescriptions not only in home market, but in the single market of the EU
• create more and more jobs, undertake an active part in reducing unemployment
• ensure for employees better labour conditions

In introductory part of his presentation, Mr. Martin Neuriter, Austrian Institute of Standards, gave basic information on both International Organization for Standardization (ISO) and on ISO standards. ISO was established in 1946 in Geneva, and it is a Federation of National Standards Bodies (there is one per country) that encompasses 146 members (110 from developing countries). Currently there are 15,000 valid ISO standards. ISO standards encompass a very broad concept: they have spread from technical field towards the environment and quality issues. ISO standards are accepted voluntary, they are not the law.

Furthermore, detailed information about newly developed ISO standard was given:
Title: Guidance on Social Responsibility
Designation: ISO 26000
Target group: To be applied by all types of organizations
Type of standard: Guidelines (not intended for 3rd party certification)
Target date: to be published in October 2008
ISO 26000 provides practical guidance related to:
- operationalizing social responsibility;
- identifying and engaging with stakeholders; and
- enhancing credibility of reports and claims made about social responsibility.

Being consistent with and not in conflict with other existing SR standards and requirements, and being applicable by all types of organizations ISO 26000 could foster greater awareness and wider observance of agreed sets of universal principles. Also, ISO 26000 will promote common terminology in the field; as well as emphasizing performance results.

The reason for the new standard are the following:
- There is a potential and a need for increased awareness in the area of Social Responsibility.
- We lack one internationally broadly accepted guideline.
- A standard could foster greater awareness and wider observance of agreed sets of universal principles.
- ISO has the experiences and the open and neutral organization to ensure a broad acceptance of the future standard.
- It needs to be consistent with and not in conflict with other existing SR standards and requirements.

Concluding, Mr. Neuriter informed Forum about Regional Awareness Workshop for Eastern Europe to be held in Vienna, on 11-12 April 2006. He stated that members of the Working group – approximately 300 experts from 54 countries are already identified. Only one representative from a certain branch of a country can participate. However, each member of the Working Group has the right to contribute to the Standard. Countries of the Eastern Europe have not yet participated in this kind of workshops, therefore it is necessary to raise awareness and to promote this kind of thinking. All Eastern European countries are invited to participate in the workshop.
5. Panel Discussion: The best practices in the countries of the Region

Moderator: Mr. Ranko Vilović, Head of UN Department, Ministry of Foreign Affairs and European Integration of the Republic of Croatia.

In this session experts discussed the economic and social impact of CSR instruments or measures implemented in their respective countries. The participants included several experts from different countries and backgrounds. The discussion began with opening statements by the panellists on their perspective of the issue:

Mrs. Julija Škoro, Head of Communications Department, Holcim Croatia introducing Holcim’s activities regarding CSR, noted that quality of products and services in Holcim is guaranteed according to very high standards. In addition, ecology awareness and social responsibility is constituent part of all Holcim’s investments and it’s business in general. Holcim Group is committed to the concept of sustainable development. Specifically, within MELE and UNIDO’s Holcim Croatia, as a part of experience exchange, shared experience in occupational health and safety with small and medium companies involved in this project. In fact, as answer to a question how to make safe working environment, instead of penalty for not wearing protective equipment, Holcim decided to stimulate every worker to take active part in creating its own working space. To change the way of thinking and the culture of work in a safe way, Holcim developed process called Safety first! Through participation in this project with sharing of knowledge and experience Holcim helped small and medium companies, which had an opportunity to learn from a practical example.

Mrs. Jožica Knez-Reidl, Ph.D., University of Maribor, Republic of Slovenia, in her presentation “CSR of SLOVENIAN SMEs - Best Practice Cases” shared Slovenian experience in CSR. It was pointed out that 66,7% of Slovenian SMEs are involved in external responsible activities. The main activities include donations (53%) and the rest goes towards sponsorships. However, these donations are occasional, not strategy-related. The main benefits of these actions are improved relations with business partners and investors, while the main barrier is the lack of money. The 1st Slovenian Conference on CSR (Ljubljana, November 2004) focused on the best practices (international, Slovenian) and it also held workshops on CSR.

Criteria for the Best Practice cases were:

- Business & broader social benefits
- Strategic approach to CSR
- Communicating CSR activities
- CSR activities as dynamic process

The following companies were singled out as Best Practice Cases from Slovenia: MEBLO JOGI d.o.o., DROGA d. d., SAUBERMACHER & KOMUNALA MURSKA SOBOTA, d. o. o. Dr. Knez-Riedl informed about those companies and their CSR activities:

- Meblo jogi d.o.o. is middle sized manufacturing firm. It is focused on the internal CSR – i.e. relations with the employees. It has SA 8000 (BVQI). Main activities regarding employees: health, education, recreation, professional development, and appraisal related.
• Droga d.d. is large sized manufacturing company, in the CSR context mainly focused on the local community. It has ISO 14001, HACCP. Main CSR activities are related to the sponsorships and donations, according to the sponsoring and donations policy (including fund raising for these purposes).

• Saubermacher & Komunala Murska Sobota, d.o.o. is small sized waste disposal service company, mainly focused to the environmental responsibility. It has SA 8000, ISO 9001, 14001 and OHSAS 1801. Mostly active in the field of raising awareness concerning environmental responsibility: TV spots, movies, publications, eco-schools, regional centre for non-hazardous waste.

Concluding her presentation dr. Knez Riedl informed about other activities on CSR in Slovenia: research (e.g. eco-rating, social-rating, social innovation, etc.); projects (e.g. , Social Entrepreneurship, Eco-profit and other projects); education (universities, colleges, seminars, workshops);and promoting CSR (roundtables, media - broadcasting, journals, conferences).

The participants also stressed that is necessary for Governments to “clean in front of their own doors” before asking private sector to do something, urging namely public enterprises to make more efforts in behaving responsibly and reporting it.

6. Presentation – The Code of Business Ethics

Mr. Zoran Barišić, Assistant to the Managing Director of Industry Department, Croatian Chamber of Economy informed Forum that Croatian Chamber of Economy (CCE) delivered the Code of Business Ethics. CCE, recognizing the significance of responsible and ethical business conduct of economic subjects as an indispensable pre-requisite for efficient market operation and an integration of the Croatian economy into the international, recommends its members (the membership is mandatory) to adopt the rules of its Code of business ethics. This Code determines the guidelines of ethical conduct of economic subjects within the framework of Croatian economy. By defining ethical criteria CCE endeavours to contribute to more transparent and efficient business operation and better relations of economic subjects in the Republic of Croatia with their business environment. Professional associations, groups, communities and single economic subjects - members of the Chamber – are recommended to develop, in compliance with their own needs, own ethical principles or codes. The Code establishes basic guidelines of ethical behaviour of business subjects - ethical principles need to be accepted by all employees. So far there are 305 signatories from or fields of business.

Mr. Barišić also informed the Forum on planned activities of CCE, which include:
- Establishment of the Office for corporate social responsibility
- National conference on CSR (June 2006)

The public is informed about this project through the official page of the institution, however it is still not dispersed through the media – it is in the making. Office for CSR will have CCE as logistics support, while its members will organize themselves and stipulate their needs towards other institutions.
7. Presentation – Croatian Environmental Challenges on the Way to the EU

Mrs. Marija Vojnović, PhD, MBA, Assistant Minister for Strategic and Integration Processes in Environmental Protection, Ministry of Environmental Protection, Physical Planning and Construction of the Republic of Croatia, informed Forum in detail on Croatian Government’s main activities within Environment sector, especially concerning EU Accession process.

EU Accession - main challenges in Environment sector:

- **Legislative** (one of the widest area of the acquis - more than 270 pieces of legislation, 80 major directives)
- **Institutional** (strengthen administrative structures, support to development of regional and local administrations, strengthen interministerial coordination, strengthen environmental management in business sector, transposition all the legislation by accession and setting in place the administrative structures)
- **Financial** (High compliance costs - investments in infrastructure, structures and human resources)

National Environmental Action Plan /NEAP/

The NEAP represents one of the first sectoral documents in Croatia with regard to EU approximation

- Assessment of the state of the environment in economy sectors (energy, agriculture, forestry, fisheries, transport, tourism, etc.) and other fields (air, water, soil, coast and islands, waste, biodiversity, etc.)
- Identification of problems and priorities
- Action plans per sectors/fields

Priority environmental problems recognised in NEAP

- Solid Waste Management
- Water Management
- Inadequate environmental management (weaknesses in information system, financing, integrated planning, education and public awareness


Sectors within the chapter Environment: Horizontal legislation (New Environmental Protection Act – transposition of EU legislation with regard to environmental impact assessment, SEA, access to information, public participation, industrial pollution and prevention control /IPPC/, accident management); air quality and climate changes (Regulation on quality standards for liquid oil fuels, on limit values of emissions of volatile organic compounds from petrol storage facilities and petrol stations, on limit values for emission from stationary sources etc.); Waste management (Ordinance on waste oils, electric and electronic equipment, batteries and accumulators containing certain dangerous substances, end of life vehicles), Water management, Nature protection, Industrial pollution control and risk management, Chemicals and genetically modified organisms, Protection against noise, and Forestry.
“Non-legislative” measures

- Draft Strategy for EU Environmental Law Approximation (CARDS 2002 project)
- State of the Environment Report
- Basis for the Strategy of Sustainable Development
- Second and Third National Communication on Climate Changes, pursuant to the UN Framework Convention on Climate Changes
- National Action Plan for the Protection and Improvement of Air Quality
- Waste Management Plan of the Republic of Croatia
- Annual National Report on Monitoring the Adriatic Sea, etc.

Pre-accession Economic Programme 2006-2008 (PEP 2006-2008)

Chapter Environment

- The Republic of Croatia submitted its first PEP to the European Commission in 2004
- PEP 2006-2008 provides for a clear definition of the country’s mid-term economic policy and priorities in the framework of structural reforms planned for the 2006-2008 period
- Chapter Environment (part of structural reforms section of the document) includes the legislative and “non-legislative” measures to be implemented in the respective period, and plans their impact on the State Budget expenditures

“Non-legislative” measures

- Establishment of national network for continuous air quality monitoring (construction of the remaining 12 stations (stationes already exist in Zagreb /3/, Rijeka /2/, Sisak, Kutina and Osijek)
- Establishment of waste management centres (up to 21 centre)
- Remediation of sites highly polluted by waste (hot spots)
- Development of waste management information system
- Administrative strengthening of nature protection institutions at the state and local level
- Development of national parks GIS
- Strengthening of water management planning
- Provide access to safe drinking water to population (reduction of losses in the existing water supply system; recovery and completion of the existing and construction of new water supply systems)
- More intensive implementation of water protection measures (infrastructure)
- Development of a register of dangerous and risky industrial plants
- Protection and preservation of gene material of forest types, etc.

Mrs. Vojnović also gave the overview of the EU assistance for implementation of the measures, through CARDS, LIFE III Third Countries, ISPA and IPA programs.

8. Presentation: Biofuels: Environmental & Rural development Impacts - A Pathway to CSR - BIO-DIESEL in Croatia

Mrs. Fatin Ali Mohamed, Industrial Development Officer, Energy and Cleaner Production Branch, UNIDO, noted that CSR is a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with
their stakeholders, on voluntary basis, as well as beyond compliance with legal expectations. However, relatively little is known about CSR among SMEs: for example, even when SMEs are incorporating CSR principles – they may not use the terminology of CSR.

The following reasons may be singled out as obstacles for organizations promoting CSR in SMEs:
- Intermediate Organizations that are credible with SMEs may lack detailed understanding of CSR. Organizations with detailed CSR knowledge may not have the credibility with or the capacity to reach SMEs
- There is a lack of readily available, concrete case-study examples
- Asking SMEs to engage with the whole CSR agenda at once may be too daunting for many SMEs

Critical success factors for encouraging more CSR amongst individual SMEs:
- Commitment of owner/management to running their business on these principles
- Engagement of employees and other stakeholders
- Core business vision and values based on CSR principles
- Integration into management/operational practice.

Critical success factors for encouraging more CSR amongst individual SMEs:
- Staged approach to build confidence among SMEs eager for results
- Incorporating shorter-term benefits into the vision of long-term sustainability
- Networking opportunities for SMEs to learn from their peers

Lessons learned - Initiatives to promote CSR among SMEs
- Need to be grounded in SME realities: easily accessible, with relevant and quality advice tailored to SMEs
- Available through channels that are known and trusted by SMEs, including sector specific trade associations
- Not bureaucratic, using language, examples and concepts to which SMEs can easily relate

Concerning SMEs, Mrs. Ali Mohamed noted that the production costs of biofuels, up to the quality accepted by the car industry & regulated by EU quality standard, are higher than the same costs for petroleum diesel. Nevertheless, the amount produced in Europe in 2004 was ~ 2,200,000 T. For 2006 the estimated is 2,600,000 T. All these countries prior to production, have requested the EU to allow an exception to the role of free market competition and they have adopted certain financial & de-taxation mechanisms to facilitate Biofuels competition with regular fuels. On the other hand, EU enforcing directive is requesting member states to observe certain schedule for targeted biofuels percentage in the total fuel consumption in transport sector.

Also, Mrs. Ali Mohamed pointed out that Biofuel production is basically a voluntary approach – it goes beyond the requirements of law and although, the terminology is not used, it is, in fact, CSR. The reasons for the production of bio diesel that is very costly, are: environmental protection, rural development, employment creation and energy security strategy: countries want to be independent of other energy sources. In conclusion, Mrs. Ali Mohamed said that afore mentioned reasons are not the only reasons for the production of
biofuels. Apart from the benefits of cleaner environment, its production can also be beneficial economy-wise. For example: Egypt sees biodiesel as business opportunity as they are producing biofuels for EU market, while Green tourism sector also may benefit as this kind of approach attracts special type of tourists who are ready to pay for it.

9. **Presentation: Sustainable Development**

Mrs. Mirjana Matešić, Director of Croatian Business Council for Sustainable Development stressed that companies manage risks by analyzing sustainable development, and today, CSR is an important factor. Even banks will not give credits to some “polluting industry”, i.e. companies, which did not create a sustainable development program. Nowadays not only does the private sector create such programs, but also an NGOs.

Public opinion polls show that the trust in the public sector is very low. The reason for that could be the behaviour of corporations since the industrial period. However, today, such approach is much different – the profit is not everything that counts. Talking about reporting, Mrs. Matešić added that it is not enough for companies to supply solely statistic information about their work, but they also need to put that information in a wider context (for example, not just how many units of water does a certain company use, but also from which source the water units are taken, comparison details, etc.). Also, if that report is not available to public, it is useless. When companies are placed on the stock – exchange market – they also want to enhance their image and work on this kind of report production.


Mrs. Ivana Sučić, Senior Counsellor, Ministry of Economy, Labour and Entrepreneurship of the Republic of Croatia reported on the Workshop, organized by the Government of Croatia, Croatian Cleaner Production Center and UNIDO, held in Zagreb in November 2004.

The workshop was organized in the context of a joint understanding between the Croatian Government and UNIDO with a vision for the country to become a regional hub for responsible business practice. The workshop focused on how to develop a comprehensive policy framework for responsible business, building on the progress made to date by individual businesses and multi-sectoral partnerships.

Within three sessions, participants discussed:
- international and Croatian evidence that responsible business practice can improve quality of life, enhance the environment, and build competitiveness, making: individual businesses more productive, sectors and clusters more innovative and overall economies more attractive
- the growing importance of business responsibility in Croatia, and the opportunity to create a strong framework for the future built on many existing initiatives
- four key roles for the Croatian Government in developing business responsibility: mandating (through legislation), facilitating (through promotion of CSR-related initiatives), endorsing (official recognition of private sector CSR initiatives), and partnering (through creation of Public-Private-Partnerships by the Government)
Also, the Responsible Competitiveness Index (RCI), a new tool to help examine whether business responsibility has a positive impact on national, regional and sectoral competitiveness, was introduced. RCI shows a strong positive correlation between responsibility and competitiveness, and is based on World Economic Forum Competitiveness Index plus CSR Indicators on corporate governance, honest business practices, progressive role in public policy, relations with civil society, contributions to public spending, human & social capital and environmental management.

In conclusion Mrs. Sučić highlighted the importance of national responsible competitiveness, especially in the context of EU accession process, export promotion and attracting FDI.

11. Presentation: Towards the responsible competitiveness: The Triple Bottom approach for upgrading SMEs in Croatia

Mr. Kai Bethke, CSR Programme and Business Partnerships, Private Sector Development, UNIDO, and Mr. Goran Romac, Project Manager, Croatian Cleaner Production Centre, and Mrs. Caroline Sawicki, CSR Advisor, UNIDO, in detail elaborated Triple Bottom Line (TBL) approach, developed by UNIDO and implemented in Croatian SMEs in the framework of the Project. Concern for global environmental and social issues is increasingly reflected in the expectations people have of both public and private sector organisations. TBL Approach was designed to facilitate companies to meet these requirements, going beyond the financial bottom line, by including social and environmental bottom lines. TBL Approach means that company establishes its own values in relation to social, environmental, and economic issues, determines the performance issues of importance to its stakeholders (staff, customers, shareholders, communities, suppliers, insurers, etc); integrates the above to establish a set of key performance areas, indicators, and targets; measures and openly reports performance, with external verification to increase trust.

The practical methodology used in Project, was developed by UNIDO and CCPC simultaneously combines three main components:

- **Productivity component**: Application of the Total Quality Management methods of the 5S and 3M, aimed at supporting a better organization as well as the visual management of the workplace, in order to raise the efficiency of production.

  The total quality management methods of the 5 S and 3M were developed in Japan, taking into account that clean and safe environment are necessary preconditions for effective production. By implementation of 5S (sort, set in order, shine, standardize, sustain) and 3M (Muda -Waiste, Mura – Inconsistency and Muri –Strain), company launches a continuous process of improving productivity performance.

- **Social component**: Benchmarking with international and domestic standards in following fields: labour law, working conditions, occupational health and safety of the workplace, aimed at supporting companies in the improvement of their social bottom line.
In the course of the Project the methodology used included coaching as well as training on following issues: Working hours, Wages and benefits, Freedom of association, Health and safety, Discrimination and harassment, Forced labour, Employees’ satisfaction. Companies were introduced with relevant standards at Croatian, European (EU) and international level and they were coached to identify themselves measures to be implemented depending on their specific industry. Particular emphasis was given on the implementation of participatory mechanisms and on employees’ involvement through suggestion schemes.

- **Environmental component**: Application of the Cleaner Production approach, aimed at supporting companies in more rational use of their resources, reducing waste and emissions, by replacing of hazardous materials, recycling, reusing, and implementing good housekeeping measures.

12. **Presentation: Responsible Entrepreneurs Achievement Programme (REAP)**

Mr. Kai Bethke, CSR Programme and Business Partnerships, Private Sector Development, UNIDO, noted that The Responsible Entrepreneurship Achievement Programme (REAP) software was developed by UNIDO as a supporting tool for companies in documenting their triple bottom line status and improvements. In the course of the Project REAP was introduced and explained in detail to the participating companies through workshop organized in November 2005.

REAP contributes to aligning economic, social and environmental aspects of business in selected target countries through SME & Cluster-directed pro-poor trainings and business advisory services as well as policy-related initiatives and strategic capacity building efforts. The programme also demonstrates the potential benefits of aligning private business plans and local/national development goals through business partnerships, and paves the way for similar development-oriented joint ventures beyond the impulse of the proposed technical assistance. Eventually, the REAP lays a stable and solid ground for a broad implementation of responsible business practice, responsible supply chain management, and a national and local business-related policy framework, geared towards sustainable industrial development and the development of sustainable livelihoods in the target countries.

Based on the UNIDO business partnership approach, the programme specifically aims at **three principle objectives**:

1. Provision of training and advisory services to SMEs and Clusters in order to facilitate improvements in their CSR-based business performance for an enhanced responsible competitiveness
2. Institutional upgrading and strengthening of public and private support organisations for SMEs through CSR-based training, advisory, and market intelligence services
3. Establishment of CSR-directed multi-stakeholder platforms for national and local policy dialogue and development of incentive schemes for CSR-based business practice and responsible supply chain management in selected industries.
13. **Presentation: UN - Global Compact**

Mrs. Ela Kurešević, Globalno partnerstvo d.o.o., Representing UNDP, informed about The Global Compact (GC) initiative:

Global Compact is a global network consisting out of local and regional networks, which involves Governments, private sector and civil society organizations. GC is not functioning as a regulatory instrument, i.e. it does not enforce or measure the behavior or actions of companies. It rather relies on public responsibility, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based. The Compact itself says that once companies are part of the Compact, "This does not mean that the Global Compact recognizes or certifies that these companies have fulfilled the Compact's principles."

The Compact's goals are intentionally flexible and vague: to mainstream the ten principles in business activities around the world and to catalyse actions in support of UN goals, but it distinguishes the following channels through which it provides facilitation and encourages dialogue: policy dialogues, learning, local networks and projects. Companies participating in GC can become leaders in certain regions, they can share good practices, and increase the satisfaction of employees. Mrs. Kurešević also explained the process of joining GC.

Furthermore, Mrs. Kurešević revealed that UNDP plans to launch an idea of Global Compact as a national network for development of capacities, methodology and practical solutions of CSR model that can be used. She also informed that a brochure was published that defines how a company can develop, measure and explain CSR. Each booklet has an appendix with an action plan. This brochure will be presented and distributed in all Croatian counties.

14. **Closing Remarks**

**Mr. Kai Bethke, CSR Programme and Business Partnerships, Private Sector Development, UNIDO**

In his closing remarks Mr. Bethke noted that this Forum was excellent opportunity for the countries from the Region preparing for the accession to the EU to get an overview of steps already taken in the framework of CSR. Moreover, he suggested participants to concentrate on how to develop a Regional network for responsible business, building on the progress made to date by individual businesses and multisectoral partnership.

There is a long tradition of social responsibility in the countries of the Region, based on philanthropy and social ideal. Although pressure from government, NGO’s, consumers or the media are not yet strong in those countries, many businesses began to engage in social and environmental responsibility to build or protect their reputation. But there are many tangible gains of implementing CSR principles, beyond solely protecting company’s reputation. In this regard, Mr. Bethke underlined that four Croatian companies participating in the Project, in relatively short period of time, reported on improvements in productivity, reducing energy and material inefficiency, which partially compensate for the costs involved. Furthermore, those companies embracing CSR as a core part of their business policies, made the important shift to a route for learning and innovation. As such, they form
feasible SME business case, relevant for the Region. Responsible business practice can improve quality of life, enhance the environment and strengthen competitiveness, making individual businesses more productive, sectors more innovative and consequentially overall economies more attractive. To this end, countries in the Region should create responsible business strategies on national level, pulling together the wide range of existing policies and filling the gaps with new policy. Such strategies should have high-level political support and preferably an individual champion of credibility and vision. The strategies should provide joining-up mechanisms between government departments and ensure that they are responsive to each other and able to engage with stakeholders in policy formulation. Additionally, adequate resources must be ensured to support the implementation of the strategies. Furthermore, it would be appropriate for the countries in the Region to establish a Regional Focal Point for CSR, in order to provide, support and coordinate activities concerning development of CSR in the Region.
III. CONCLUSIONS AND RECOMMENDATIONS

Company level
1. The Forum acknowledges that CSR has become strategically important priority not only for large, but for small and medium businesses as well. Therefore, within the the decision-making processes small and medium companies in the Region should consider a wide range of criteria relating to the environmental, social and financial implications of their operations.
2. Nowadays businesses are coping with numerous challenges, caused by globalization, greater environmental and social awareness and increased efficiency of communication channels. The Forum notes that embracing the concept of responsible behaviour, beyond the rule of law, is helping companies to build and/or maintain a positive image both internally and externally. In this respect, the Forum recommends SMEs to take into account the importance of raising the effectiveness of communication with all stakeholders through reporting mechanisms.
3. On the basis of the positive experience of Croatian companies participating in the Project, the Forum recommends SMEs in the Region to use the methods and tools developed by UNIDO and CCPC, and presented during the Forum sessions.

National level
4. The Forum notes that countries from the Region are traditionally familiar with the CSR values, but it is evident that their potentials are not fully exploited. The accession processes impose even stronger pressure to raise the level of involvement concerning CSR. In regard with the fact that the lack of coherent and comprehensive information on CSR principles was detected, the Forum recommends countries in the Region to launch the awareness campaigns on national level.
5. In order to boost their economies, it is not enough for Governments just to provide stable macroeconomic and institutional framework. Responsible business practice can improve quality of life, enhance the environment and strengthen competitiveness, making individual businesses more productive, sectors more innovative and consequentially overall economies more attractive. Therefore, Forum recommends the Governments to create responsible business strategies, pulling together the wide range of existing policies and filling the gaps with new policy.
6. The Forum also urges public enterprises to make more efforts in behaving responsibly and reporting it.

Regional level
7. Given the strategic importance of the CSR development in the Region, especially concerning the processes of the accession to the EU, Forum recommends the setting up a Regional CSR Centre, which should serve as a platform to foster exchange experiences and information on best CSR practices.
8. In order to demonstrate the political commitment of the respective countries, the Forum notes that it would be useful to organise a conference on a ministerial level in a foreseeable future.
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<td>AED</td>
<td>Academy for Educational Development</td>
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<td>Croatian Cleaner Production Centre</td>
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<td>CEE</td>
<td>Central and Eastern Europe</td>
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<td>CEFTA</td>
<td>Central European Free Trade Agreement</td>
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<td>Corporate Social Responsibility</td>
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<td>Gross Domestic product</td>
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<td>IBLF</td>
<td>International Business Leaders Forum</td>
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<td>MELE</td>
<td>Ministry of Economy, Labour and Entrepreneurship</td>
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