

**Regional CSR Conference for business and stakeholders
“CSR in the New Europe: Challenges and Solutions”
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*Introductory remarks on Corporate Social Responsibility (CSR) in Eastern
and Central Europe*

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Dear participants,

Welcome!

It is my great pleasure to welcome you today to this conference, which is organized as part of a regional project “Accelerating CSR practices in the new EU member states and candidate countries”, implemented by UNDP in **eight countries** of Eastern Europe with the **support of the European Commission**.

Importance of CSR in the region

Corporate social responsibility – is the voluntary integration of social and environmental concerns into commercial operations. It should be seen, first of all, as a way to make our societies—better societies—but, importantly, it has also proved to be an innovative approach that differentiates and **adds value to businesses**, making them and the societies where they operate more competitive and better prepared to face the challenges of globalization.

Understanding CSR in the region

Now—why, what role, for Corporate Social Responsibility in Eastern Europe (EE)? Did we not just some 17 yrs ago embark on a thorough restructuring of the EE economies, so as to separate out social functions from economic ones? Was not the problem an excessive, rather than insufficient, enterprise “responsibility” for all aspects of their employee’s and communities’ welfare (excepting environmental concerns)? And this restructuring, in some EE countries is barely finished!

Yes—indeed. The goal was to extricate government logic from the very core of economic organisms, to create structures capable of recognizing, assessing and being driven by profits, therefore delivering the competition that brings efficiency. The goal was also to attract global capital. But now that this has been largely accomplished, it has become clear that the short-run profit motive is, indeed, shortsighted. Longer run profitability—that is, development—requires impalpable ingredients such as trust, and social responsibility. Trust is needed, for example, in that contracts will probably be observed many years from now. Trust is needed in that political systems will be stable and respectful of property. Trust, as I will elaborate in a minute—is needed between society and business.

Similarly, as Adam Smith well knew, the profit motive without social responsibility is not much more than the Law of the Jungle. But social responsibility is just that—SOCIAL responsibility. It cannot be imposed by the state. Social responsibility has to be borne and promoted by individuals, using their power as consumers, associated in civil society organisations, and—yes—by individuals leading businesses.

Unlike in Western Europe, and in the **absence of strong consumer and civil society movements**, in EE the CSR agenda -- to a large extent -- has been **shaped and promoted by external factors—the international community-- organisations such as the EC and UNDP-- and multinational investors**. Multinationals lead by example--they brought new ways of managing accountability and established good neighbourly relations with local communities. These companies have served as great educators to local companies, which viewed implementation of CSR as a pre-condition for integration with global markets as well continued survival on the single market.

Now, should the satisfaction of setting a good example not suffice per se, CSR is also proving to be increasingly beneficial to the companies. In the time since EE countries opened themselves up to global markets, the global debate about CSR in Central and Eastern Europe has increasingly been pointing out to two phenomena:

- First, a view is growingly accepted that **CSR can have a positive effect on profits**, though much research still needs to be conducted in this area.
- Second, **accountability** on the part of companies to their stakeholders also brings benefits. It makes it easier for companies to gather the trust needed to access financing, especially on capital markets. Companies win, while simultaneously showing their commitment to EU social, environmental, and employment goals.

However, a particular, more widespread economic benefit of CSR still needs to be explored: it is the role that trust between business and society plays to the functionality of markets themselves. Entrepreneurship is still a relatively new phenomenon in post-communist states, with many negative public perceptions either inherited from the past, or, unfortunately, earned through non-transparent processes of privatization and corrupt business practices, or all of the above. East Europeans engage in business, but they also all too often—distrust it. The trust that markets rely on—eg in the longevity of contracts and of political stability--cannot become firm as long as enterprise is under the threat of negative public attitudes. Hence, a dialogue, engagement, needs to be established, and nourished, between Business and Society. We need this engagement for the sake of our prosperity, and we need it so that we can like being part of these societies.

Fortunately, **our collective regional experience** in working with companies and advocating for the Global Compact, the UN's CSR initiative, is very **encouraging**. There is a growing number of businesses, both large and small, acting in socially responsible ways, adopting their own CSR codes of conduct and collaborating with stakeholders. They take up CSR and contribute to a number of public policy goals, such as achieving more integrated labour markets by recruiting more people from disadvantaged groups, including minorities such as Roma, as well as women and the disabled. Many companies are actively investing in developing the skills of their employees, with particular attention to young people who also stand

higher chances of unemployment. Others have invested in new eco-friendly products that have decreased their environmental impact.

Regardless of the intensity of the effort, what counts is **the sincerity of the commitment and aspiration to change**. CSR engagement is only as worthy as it is sincere. **CSR purely for PR purposes**, with no true message, no honest effort to effect change, not to speak of CSR to cover unethical behaviour, **will not do**. Many firms in Central and Eastern Europe have already taken the plunge, but many more have yet to do so. More efforts are needed to raise awareness—in companies and in the individuals that deal with them-- about benefits and opportunities from CSR, promoting best practices and supporting multi-stakeholder initiatives.

Before concluding, I would like to stress the **international dimension of CSR**, where its potential is the greatest. By encouraging companies to implement CSR in their global supply chains and enabling the conditions for responsible investing, the global economy, and Europe in particular, can significantly contribute to addressing current global social and economic imbalances, the fight against poverty and to the achievement of the Millennium Development Goals.

It is thus that I take this opportunity to warmly **thank our EC partners** for working alongside UNDP on this worthy cause, and in particular financing the CSR survey in Eastern Europe. I take this opportunity to state that I look forward to further cooperation with our EC partners in advocating for CSR, particularly as part of the future enlargement process.

Meanwhile, in their name and our own, I invite all of you to, in the coming hours, hear more detailed presentations of the progress that CSR has made in our region and of the progress it yet has to make.

Thank you.