



**United Nations Development Programme**  
**Europe and the CIS Bratislava Regional Center**  
*Project Document*

**Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonization, competitiveness and social cohesion in the EU**

The project aims at accelerating the implementation of Corporate Social Responsibility (CSR) practices in new EU Member States and in candidate countries: Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovak Republic and Turkey. Business CSR networks in Spain, UK and Germany will also be involved in the Project by contributing to exchange of experience and good CSR practices. The project builds on the existing networks of the UN Global Compact facilitated by UNDP offices. The project addresses the practices of companies (both local and foreign enterprises), but also intermediaries like business and professional associations, local and national governments, trade unions, academia, non-governmental organizations and the media in the Project countries. To achieve the objective, the project will cover the following 3 components and related activities:

Component 1: Situational analysis of CSR status and engagement of actors in the region to gain a thorough understanding of the status of CSR awareness and engagement among all relevant stakeholders (through a baseline survey on CSR, including consultations with national stakeholders);

Component 2: Promote multi-stakeholder dialogue at the strategic level to enhance awareness and exchange good practices for CSR advancement in the region (related activities to include a regional CSR conference; awareness raising activities and the establishment of peer groups to work on the establishment of a national agenda on CSR);

Component 3: Develop and strengthen capacity of existing and future CSR stakeholders at the national/local level to promote and implement CSR (related activities to include capacity building activities, exchange visits to CSR networks in the UK, Germany and Spain; training for journalists and a regional conference).

Programme Period: 1 December 2006 – 30 May 2008  
Programme Component: Private sector development / engagement  
Project Title: Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonization, competitiveness and social cohesion in the EU  
Project ID: \_\_\_\_\_  
Project Duration: 18 months  
Management Arrangement: DEX

Total Budget	775 636 €
Allocated resources:	_____
• Government	_____
• Regular	155 437€
• Other:	
○ EC	620 199 €
○ Donor	_____
○ Donor	_____
• In kind contributions	_____
Unfunded budget:	_____

## **SITUATION ANALYSIS**

The new Member States (MSs) of the European Union are facing integration challenges to adapt and internalize the cutting edge developments of the EU in the context of building a common social, political and economic European space competing on the global market. Moreover, new MSs and candidate countries have to unfold their capacity to respond rapidly to unprecedented global environmental and social challenges, as they become integrated members of the global community, especially through economic and business connections. CSR represents one of the most progressive developments in the private sector, urging private companies to re-define their boundaries of responsibility *vis-à-vis* the society and environment and subsequently come up with a new ‘social contract’. Traditional, narrower shareholder value approach is giving way to a broader stakeholder view, whereby companies are reaping higher economic profits through simultaneous contribution to social, environmental and governance objectives.

In the New EU Member states, the process of EU Integration has been the main vehicle behind increasing popularity of CSR. The adoption of the full body of EC law (*acquis communautaire*) reduced political and economic risks and costs and attracted high levels of Foreign Direct Investments (FDI). Foreign companies brought their own way of doing business which had dramatic knock-on effects with respect to adopting higher labour and environmental standards. Moreover, large and resourceful companies engaged in community development programmes with local civil society organizations and who were willing to operate independently from political forces served as important check point against potential abuse of power by governments. However this extraordinary positive effect would not have been possible without the abundant pool of highly skilled workforce, check and balances provided by civil society organizations, trade unions as well as the growing influence of the European Union institutions. In particular, the EU integration and corresponding introduction of new and higher management and production standards have been the main force behind modernization of the domestic companies (SMEs – Small and Medium Enterprises), including increasing demand from them for CSR.

Although the New Member states are slowly attaining the Western European standards and market reforms have been successful, many acute social problems persist and the legacy of transition and in particular feeble public institutions still undermine transparency and accountability which subsequently hampers social cohesion and trust building. CSR can certainly assist in addressing these issues.

On the other hand, recent encouraging developments in South East Europe and Western CIS (in terms of improved business environment and foreseen growth in foreign direct investment) also create potential to harness CSR for sustainable development. Like in the New EU Member States, these positive changes are to a large extent prompted by future EU Integration and the EU agenda. More foreign companies are expected to enter the markets of candidate countries, mostly from the EU countries, as a result of acquisitions (privatization) and to some extent, greenfield investments. In this context, domestic companies will face increased pressure to adopt progressive business practices in order to participate in European value chains and remain competitive.

However, low awareness of CSR coupled with a lack of trust between social partners is hindering this process. Indeed, there was unanimity among participants of the EU Conference on CSR in Enlarged Europe that raising awareness among national stakeholders is essential for broad adoption of CSR standards in the New Member States.

While Western European business community leaders are talking about “mainstreaming” CSR and incorporating the principles into the core business strategies, the situation is not the same in

the new MSs and candidate countries. In the latter case, knowledge on CSR varies: some business leaders are just becoming familiar with the term, while others have started a step-by-step approach to integrating CSR into their business practices. For a vast number of SMEs, CSR is still a very distant challenge, which falls outside their business priorities. The fragmented understanding of the CSR concept is frequently linked to piecemeal philanthropy, rather than to core business or market positioning. Under current circumstances, the private sector is more interested in focusing on the narrow benefits from Public Relations / marketing exercises. By doing so, they miss out on the significant opportunities that CSR can bring in terms of enhanced competitiveness, harnessing new markets and developing new business models.

Nevertheless, CSR is rapidly capturing the minds of consumers and public and business leaders in the region. The adoption of higher standards is slowly becoming an accepted business practice and a basic condition for long term market success of companies.

Although enterprises are the primary actors, CSR mainstreaming should be a concerted effort of many societal actors (including public authorities, NGOs and civil society, chambers of commerce, media, trade unions, consumers, employers organizations) to jointly advocate for a social agenda relevant to the context of a particular country, to maintain the appropriate accountability pressures and provide the necessary conducive environment, reward and recognitions for responsible behaviour. Only on the way of social dialogue and collaborative action of many social partners, can sustainability of the movement be assured.

In addition, such multi-sectoral and inter-disciplinary approach will that further integrate the private sector into social agenda and thus strengthen trust-building and social cohesion within these post-communist fragmented societies.

The project outcomes link with the RBEC Regional Project Document (2006-2010) which aims at promoting corporate social responsibility and bigger role of private sector in poor development projects using UN Global Compact value framework as well as other relevant CSR initiatives in Europe.

## **STRATEGY<sup>1</sup>**

The main objective - accelerating the implementation of CSR practices in new EU Member States and in candidate countries – will be to map and work with various stakeholders (including public authorities, NGOs and civil society, chambers of commerce, media, trade unions, consumers, employers organizations, academic institutions) on promoting as well as building capacity of these stakeholders to implement CSR at national levels.

The project will build on the existing country based Global Compact networks in all the participating countries with an objective to strengthen the networks (by offering additional services to members) and create more opportunities for intra-networks collaboration.

To contribute to the above, this Project will comprise of the following 3 main outputs<sup>2</sup>:

Output 1: Diagnosis of CSR status and mapping out of actors' engagement in CSR in the project countries conducted.

Output 2: Enhanced awareness on CSR among main stakeholders in EE

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<sup>1</sup> Full description of the strategy, projects components and timeframe using EC template enclosed as Annex 1

<sup>2</sup> In the EU Application, outputs refer to the project components

Output 3: Improved capacity of stakeholders to promote and implement CSR as a practical tool and modern business practice

**Output 1: Enhanced understanding of main CSR issues, actors, tools, trends in EE.**

It is critical to gain a thorough understanding of the status of CSR awareness and engagement among the various targeted stakeholders concerned prior to putting in efforts and formulating activities to accelerate CSR promotion and implementation in the region. An understanding of CSR status, supported by facts and a mapping of actors and their activities, will produce baseline data on CSR for the project countries, which will serve as basis for measurement of CSR progress. It will also provide data on the level of business engagement in implementing CSR practices with examples of practical implementation of CSR in the region. The data will be complemented by the findings of the recent EC and World Bank study on CSR understanding by companies.

**Output 2: Enhanced awareness on CSR among main stakeholders in EE**

At the strategic level, in view of the relatively low awareness on CSR in the region and in line with the findings of the baseline survey carried out under Component 1 above, the project will promote dialogue between the different stakeholders (companies - both local and foreign enterprises - business and professional associations, local and national governments, trade unions, academia, non-governmental organizations and the media) to enhance their awareness, improve their knowledge on CSR, encourage joint CSR activities, as well as provide a multi-stakeholder platform to discuss and exchange views on business cases, tools and reporting and possible economic incentives and recognition tools as mechanisms to further engage companies in CSR in the region. It will also contribute to the building of social trust between the various stakeholders and the business community. Awareness raising activities will be tailored in terms of language and content depending on the different requirements and goals of social actors involved.

These multi-stakeholder forums will capitalize on the Commission's work on CSR (previous EU multistakeholder forum on CSR and the European Alliance for CSR<sup>3</sup>), national initiatives in old member states (e.g. square table in Spain on CSR-related issues), CSR networks in new MSs and candidates, as well as other initiatives (ILO, OECD and UN Global Compact among others) to bring significantly more impact to the engagement of stakeholders on CSR. These forums will aim at:

- a) Establishing and converging towards a common understanding of CSR among all stakeholders;
- b) Encouraging more enterprises of all size to adopt a business approach that engages in CSR strategically, to develop instruments for it, to achieve the objectives of transparency towards consumers (with the latter playing an important role in providing incentives for responsible production and responsible business behavior);
- c) Enhancing the role of employees, employers' organizations and trade unions in the development and implementation of CSR practices;

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<sup>3</sup> 'An open alliance for enterprises sharing the same ambition: to make Europe a Pole of Excellence on CSR in support of a competitive and sustainable enterprise and market economy' Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee

- d) Encouraging external stakeholders (NGOs, consumers and investors) to play a stronger role in encouraging, endorsing and rewarding responsible business conduct;
- e) Encouraging public authorities to discuss with other stakeholders on the provision of a business-friendly environment in which entrepreneurs and enterprises can flourish and grow as well as on incentive/reward mechanisms to companies implementing CSR initiatives. Given the increased recognition that CSR contributes to a more sustainable development, there is a clearly a strong role for government to promote and reward socially and environmentally responsible practices by enterprises.
- f) Fostering the atmosphere of dialogue and social trust between various stakeholders and businesses.

### **Output 3: Improved capacity of stakeholders to promote and implement CSR as a practical tool and modern business practice**

Capacity building and strengthening will be carried out by familiarizing the stakeholders with concrete CSR implementation tools and their use in specific circumstances, exposing stakeholders to concrete CSR practices and case studies on CSR mainstreaming. Capacity building will focus in particular on the social, ethical and environmental dimension of CSR and on the role of CSR in economic development and enhancing competitiveness. This will build a critical mass of actors with the necessary CSR competence among the various stakeholders in the Project countries that could be later conveniently multiplied through a series of capacity building events carried out at the national/local level and the development of common training tools.

The implementation of the activities under the above-mentioned 3 Project Components will be complemented by the collection of publications, materials and good practices exchanged during the national and local forums, regional conference, training and study visits which will eventually be added to the Database on CSR as a final product of the Project. It may in the future translate into a European CSR toolkit to be used by stakeholders in both the Project countries as well as other countries in Europe

### **MANAGEMENT ARRANGEMENTS**

The project will be executed by the Bratislava Regional Centre within the delegated Direct Execution (DEX) authority, in line with the UNDP Programming for Results Management User Guide, with lead office UNDP Lithuania. Most of the activities will be implemented by respective UNDP COs.

Specifically, COs will be responsible for:

- National level project implementation and support services for the national components
- Maintaining working contacts with the national partners
- Application of the commonly agreed standards and procedures.
- Reporting to BRC, Poverty Practice Manager on quarterly basis according to agreed template. Reflecting the national specifics in all components of the project when appropriate

The Project manager (Head of the UNDP Office in Lithuania) will be responsible for overall project management and backstopping.

The role of the regional project manager will be to:

- The overall project implementation and oversight.

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- Maintaining the project's conceptual clarity and standards
- Knowledge management at regional level: coordination exchange of information, knowledge and good practice, codification of knowledge and support for cooperation between the countries.
- Consultancy and expert support necessary at various phases of the project implementation
- Communication and marketing of the project to business community at regional level,

BRC will have a responsibility of monitoring and final evaluation. Specific supporting functions, especially in policy advice on CSR/GC related issues may be performed by BRC relevant staff as well.

A ***Project Board*** will be established to take responsibility for making strategic direction of the report decisions and executive management decisions for a project when guidance is required by the Project manager, including approval of project revisions. The Project Board will be comprised of the Representative of the RBEC HQ Bureau (EU Cluster), Bratislava Poverty practice Leader, representative of Country Offices Croatia and Poland. The Group's key roles will be as follows:

- (a) *Executive role* will be performed by the BRC Poverty Practice Leader.
- (b) *Senior Supplier role* will be held by the Representative of the RBEC HQ Bureau (EU Cluster); and
- (c) *Senior Beneficiary role* will be held by the Country Offices (Croatia and Poland).

In addition and independently from the Project Board's roles two other roles will be important for the smooth project implementation:

- (a) The ***Project Assurance role*** will support the Project Board by carrying out objective and independent project oversight and monitoring functions. During the Running a Project process, this role will ensure that the appropriate project management milestones are managed and completed. Private sector engagement analyst (delegated by the Poverty Practice Leader) will perform this function.

## **MONITORING AND EVALUATION**

### Within the annual cycle

- Quarterly progress reports shall be submitted by the Project Manager to the Project Board through Project Assurance, using a template developed for this purpose and derived from a standard format available in Atlas. The template includes reporting on achievements, planned activities, risks log, incurred and planned expenditure.
- EC specific progress and final report as outlined in the Agreement (annually and final report)
- Regular conference calls with participating COs will be conducted by the project manager and / or project assurance
- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project

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- To complement the above, an annual project review will be conducted during the fourth quarter of year as a basis for assessing the performance of the project. In the last year, this review will be a final assessment.

### **LEGAL CONTEXT**

This regional project document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement (SBAA) between the Governments participating and the United Nations Development Programme.



## PROJECT RESULTS AND RESOURCES FRAMEWORK

<b>Intended Outcome as stated in the Regional Programme Results and Resource Framework:</b>				
Significantly increased private sector participation in development projects in the region				
<b>Outcome indicators as stated in the Regional Programme Results and Resources Framework, including baseline and targets.</b>				
<ol style="list-style-type: none"> <li>1. Number of new development partnership projects with the private sector</li> <li>2. Quality of new policies that facilitate public private partnerships projects for development</li> <li>3. Number of companies that report on partnership projects through the Global Compact portal</li> </ol>				
<b>Applicable MYFF Service Line: Service Line 1.5: Private Sector Development</b>				
<b>Partnership Strategy:</b> This project will work in close partnerships with business associations, governments, civil society organizations, academic institutions and EU units at national and regional level.				
<b>Project title and ID (ATLAS Award ID):</b>				
<b>Intended Outputs</b>	<b>Output Targets for (years)</b>	<b>Indicative Activities</b>	<b>Responsible parties</b>	<b>Inputs (€)</b>
Output 1: Enhanced understanding of main CSR issues, actors, tools, trends in EE.	Targets for 2007:			
<u>Baseline:</u> - No consolidated definition and/or comprehensive data on CSR activities in Eastern Europe	1.1 Kick off meeting	1.1 Organizing of consultation meeting with relevant COs/project partners and EC team/ Brx	Lith CO, BRC	10,000
<u>Indicators:</u> - Number and quality of responses, range of CSR stakeholders participating in the mapping exercise	1.2 CSR (mapping) baseline study carried out in each of the participating country and consolidated/analyzed at regional level	1.2.1 Selecting international and national experts 1.2.2 Conducting desk reviews (mapping) 1.2.3 Preparing national reports 1.2.4 Conducting field missions 1.2.5 Preparing of regional report	Lith, COs	160,000
	1.3 Baseline study report printed	13.1. Preparing , translating, editing and printing the report	Lith, COs	40,000

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<p>Output 2: Enhanced awareness on CSR among main stakeholders in EE</p> <p><u>Baseline:</u></p> <ul style="list-style-type: none"> <li>- Little awareness about CSR among the relevant stakeholders (business and non-business actors)</li> <li>- Little awareness about possible CSR tools and approaches</li> </ul> <p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>- range of various stakeholders participating</li> <li>- number of business and non-business actors participating in national and regional events</li> </ul>	<p>Targets for 2007:</p> <p>2.1 CSR Peer groups in each country (CSR stakeholders forming an informal task force and also working towards developing national CSR agenda)</p> <p>2.2 National and 2 sub-national conferences in each participating country to present results of the report</p> <p>2.3 Regional Conference to present results of regional/consolidated report, exchange of information/discussion among participating countries</p> <p>2.4 Project website set up and updated</p>	<p>2.2.1 Organizing conferences at national and sub-national level</p> <p>2.3.1 Organizing a regional conference</p> <p>2.4.1 Setting up regional website</p>	<p>COs</p> <p>Lith, COs, Lith</p>	<p>80,000</p> <p>120,000</p> <p>20,000</p>
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<p>Output 3: Improved capacity of stakeholders to promote and implement CSR as a practical tool and modern business practice.</p> <p><u>Baseline:</u></p> <ul style="list-style-type: none"> <li>- Little or no capacity among national stakeholders to implement/promote CSR</li> </ul> <p><u>Indicators:</u></p> <ul style="list-style-type: none"> <li>- Number of companies and non-business actors participating in training sessions and study visits</li> <li>- Number of journalists participating in the media training</li> <li>- Number of CSR tools available thru the project portal /website</li> </ul>	<p>Targets for 2008:</p> <p>3.1 One training session in each participating country</p> <p>3.2 One training for journalists in UK (destination tbc)</p> <p>3.3 Interactive on-line database on CSR tools</p> <p>3.4 3 study visits of CSR stakeholders (to UK, Germany and Spain)</p> <p>3.5 National CSR agenda prepared and developed in each participating country</p> <p>3.6 Final project report with CSR agenda and lessons learnt included</p> <p>3.7 Effective, timely and in line with UNDP M&amp;E rules implementation of the project</p> <p>3.8 Final evaluation</p>	<p>3.1.1 Organizing training sessions in each country</p> <p>3.2.1 Organizing a training session /study visit for journalists to UK</p> <p>3.3.1 Developing a CSR database available for public (on-line)</p> <p>3.4.1 Organizing study visits with relevant CSR stakeholders</p> <p>3.5.1 Facilitating peer groups (CSR stakeholder) group meetings to prepare the CSR National Agenda</p> <p>3.6.1 Preparing final report (translations, editing, printing)</p> <p>3.7.1 Monitoring</p> <p>3.8.1 Final Evaluation</p>	<p>COs</p> <p>Lith, COs</p> <p>Lith</p> <p>Lith, COs</p> <p>COs</p> <p>Lith, BRC, COs</p> <p>BRC</p> <p>BRC, Lith</p>	<p>80,000</p> <p>40,000</p> <p>10,000</p> <p>100,000</p> <p>20,000</p> <p>60,000</p> <p>20,000</p> <p>35,636</p>
<b>TOTAL</b>				<b>775,363 €</b>
<b>EC Contribution (80%)</b>				<b>620,199 €</b>
<b>UNDP Core (20%)</b>				<b>155,437 €</b>



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**Annual Work Plan Budget Sheet --Year 2007**

EXPECTED OUTPUTS and indicators including targets for the year	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Source of Funds	Budget Description	Amount (€)
Output 1: Enhanced understanding of main CSR issues, actors, tools, trends in EE.	Organizing a kick off meeting Brussels	X				Lith, BRC	UNDP	Travel	10,000
	Preparing CSR baseline study	X	X			Lith, COs	EC, UNDP	International consultants, national consultants, travel	160,000
	Printing base line study report		X			Lith	EC, UNDP	Contractual services, supplies	40,000
Output 2: Enhanced awareness on CSR among main stakeholders in EE	Organization of 1 national and 2 sub-national conferences (fora)		X	X	X	Lith, COs, BRC	EC, UNDP	International consultants, contractual services, travel, supplies, miscellaneous expenses, travel	80,000
	Organisation of a regional conference in Brussels			X		COs, Lith	EC, UNDP	International consultants, contractual services, travel, supplies, miscellaneous expenses	120,000
	Developing and updating of project website		X	X	X	Lith, COs	EC, UNDP	Supplies, miscellaneous services	20,000

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	Monitoring	X	X	X	X		UNDP	Travel, staff costs	10,000	
<b>TOTAL</b>										<b>440,000 €</b>

**Year 2008**

EXPECTED OUTPUTS and indicators including targets for the year	PLANNED ACTIVITIES List all activities including M&E to be undertaken during the year towards stated CP outputs	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Source of Funds	Budget Description	Amount
Output 3: Improved capacity of stakeholders to promote and implement CSR as a practical tool and modern business practice.	Organizing a training session at national level – one per country	X				COs	EC, UNDP	International consultants, contractual services, travel, supplies, miscellaneous expenses	80,000
	Organizing a training session for journalists in UK	X				Lith, COs	EC, UNDP	Contractual services, travel, supplies, miscellaneous expenses	40,000
	Developing interactive CSR database	X	X			Lith,	EC, UNDP	Supplies, miscellaneous services	10,000
	Organizing CSR study visits	X	X			Lith, COs	EC, UNDP	Contractual services, travel, supplies, miscellaneous expenses	100,000
	Facilitating discussion to develop CSR National Agenda in each country	X				COs	EC, UNDP	Contractual services, travel, supplies, miscellaneous expenses	20,000

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	Final report with CSR agendas		X			Lith, BRC	EC, UNDP	Contractual services, travel, supplies, miscellaneous expenses	60,000
	Monitoring	X	X			BRC	EC, UNDP	Travel, staff costs	10,000
	Final evaluation			X		BRC	EC, UNDP	Contractual services, travel	35,636
TOTAL for 2007									355,636 €

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