

Lecture by the Director-General to the Chamber of Economy (Zagreb)

Monday, April 19, 2004

Talking Points

Corporate Social Responsibility

Particularly in light of its aspiration to join the EU, Croatia is under strong pressure to bring itself in line with EU policies. One policy that is rapidly growing in importance in the EU is corporate social responsibility (CSR). Croatian enterprises, especially SMEs, are under pressure to show clients and potential clients with the EU and elsewhere that they are practicing CSR.

The ongoing UNIDO project therefore develops a concept of CSR in Croatia that could serve as a framework for a Croatian CSR policy. It will also disseminate a practical methodology with supporting tools that SMEs in Croatia can use to implement CSR concepts cost effectively.

The ongoing project therefore pursues the following three objectives:

- It will **disseminate good practices and experience on CSR**, and by making practical demonstrations, it will generate the evidence for the Croatian stakeholders in CSR that the concept can have a positive impact on business, especially SMEs, as well as on society as a whole.
- It will **build the necessary CSR-related capacity in Croatia**, so that industry support institutions can assist the business sector, especially export-oriented SMEs, to use a practical methodology and related tools that will enable them to cost effectively comply with CSR requirements of global buyers and supply chains.
- It will **prepare a Croatian business agenda for CSR**, and more generally establish a national implementation scheme for CSR, in partnership with public and private sector institutions and enterprises, so as to promote the sustainable development of an export-oriented SME sector in Croatia.

Sustainable Industrial Development: UNIDO's Interpretation

UNIDO uses in its work the description used by the Brundtland Commission of the major components of sustainable development as the starting point for its work in this area. This is: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

Starting from this definition, UNIDO has identified three main dimensions of sustainable development: the **environmental dimension**, the **economic dimension**, and the **social dimension**.

The natural-environmental constraint to (human) development is the main reason for any concern about sustainability. More precisely, the economic processes of production and consumption draw to a greater or lesser extent on services provided by resources of the physical environment. These resources include both natural resources and environmental resources.

The growth of economies and their structural transformation have always been recognized as being at the core of development. They still are the most important preconditions for the fulfillments of human needs and for any lasting improvements in living conditions. In addition to the quantitative economic aspects of development, an increasing number of qualitative aspects have come to be recognized as well. The main argument is that neither economic growth in the aggregate nor growth of income at the personal level is sufficient to guarantee progress of an entire society. Accompanying qualitative changes are needed as well.

Seen from a wide angle, development encompasses the strengthening of the material income base as well as the enhancement of capabilities and the enlargement of choices. Such a view of development clearly transcends the narrow concept of development-as-economic-growth and also emphasizes the importance of social development in the context of sustainable development.

In UNIDO, sustainable industrial development is defined as a pattern or patterns of development that balance a country's concerns for competitiveness, for social development, and for environmental soundness. Either absolutely or comparatively, such development accomplishes three things:

- It encourages a **competitive economy**, with industry producing for export as well as for the domestic market;
- It creates **productive employment**, with industry bringing long-term employment and increased prosperity; and
- It **protects the environment**, with industry efficiently utilizing non-renewable resources, conserving renewable resources, and remaining within the functional limits of the ecosystem.

Cleaner Production in Croatia

At the end of the 1990s UNIDO, in cooperation with UNEP, cooperated with the Government of Croatia with the objective of building up domestic capacity in the country in the area of cleaner production. The programme, which was concluded very successfully, had three main objectives: training of trainers in a long-term training programme; implementation of cleaner production demonstration projects in the country, which could also serve as on-the-job training; and the establishment of a national cleaner production center within the international network of UNIDO/UNEP cleaner production centers.

The objective of the support in the area of cleaner production in Croatia, as in all of UNIDO's cleaner production programme and network activities, was to **build up national cleaner production capacities, foster dialogue** between industry and government, and **enhance investment** for the transfer and development of environmentally sound technologies. UNIDO's holistic cleaner production approach addresses the entire production cycle, from the efficient use of raw materials, energy and

water, to the final product, while integrating cleaner production into sector-specific activities.

Now that the National Cleaner Production Centre has been created, UNIDO and the government are using this capacity to support efforts to join the social and the environmental components of the development of the SME sector with the economic dimension. In the context of the work on corporate social responsibility discussed above, the activities now on-going aim at demonstrating to the SME sector that environmental and social performance can be increased without any net economic cost.

In Summary

In the **Millennium Declaration of 2000**, the UN General Assembly asserted that current unsustainable patterns of production and consumption had to be changed, and that no effort should be spared to free all of humanity, particularly future generations, from the threat of living on a planet irredeemably spoilt by human activities, and whose resources would no longer be sufficient for their needs.

In their Plan of Implementation, the delegates to the **World Summit on Sustainable Development of 2002** reaffirmed the necessity for sustainable patterns of consumption and production, calling inter alia for an enhancement of industrial productivity and competitiveness as well as an intensification of efforts in cleaner production and the transfer of environmentally sound technologies.

The **UNIDO Corporate Strategy** responds to these challenges, affirming that for development to be sustainable environmental concerns must be systematically incorporated into the paradigms of economic development. This way the achievement of high levels of productivity in the use of natural resources becomes a central concern both in the development countries as well as in the advanced industrial nations. As stated in the Strategy, 'in the process of industrialization there has to be a shift from end-of-pipe pollution control to the use of new and advanced technologies which are more efficient in the use of energy and materials and produce less pollution and waste.'

UNIDO's message referred to above is that increased levels of productivity by enterprises in their use of natural resources enhances their environmental performance while assuring them a greater viability when affronting the challenges of the future. One example of this in UNIDO's work is the regional programme for the 'Transfer of Environmentally Sound Technology' (TEST) in the Danube River Basin. One of the five countries where the TEST programme was very successfully carried out was Croatia. [The participating enterprises in Croatia included Agroproteinka, Gavrilovic d.o.o., Herbos, and IPK Tvornica Secera Osijek. The total investments identified in these four enterprises exceeded 12.5 million US dollars, and the total yearly savings identified from these investments exceeded 2.3 million US dollars.]