

Corporate Social Responsibility in Bulgaria

CSR is about: *"companies integrating social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" » - Green Paper of EC.*

Amongst other things, this definition helps to emphasize that:

- CSR covers social and environmental issues, in spite of the English term corporate social responsibility ;
- CSR is not or should not be separate from business strategy and operations: it is about integrating social and environmental concerns into business strategy and operations;
- CSR is a voluntary concept ;
- an important aspect of CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbours, non-governmental organisations, public authorities, etc.).

SCR major components are: Ethics, Environment, Philanthropy, Social.

CSR major instruments are:

- Socially responsible management (SRM);
 - codes of conduct
 - management standards
 - reporting
- Socially responsible consumption (SRC);
 - labels
- Socially responsible investment (SRI).

As it is mentioned in a report by Richard Howitt to the Social and Employment Commission to the EU Parliament, markets and companies in Europe are in a different stage of development; that is why it is considered that a common model of conduct of all enterprises is not advisable and will not bring for substantial application of CSR by the companies; besides it is reckoned that the accent has to be put on the development of

civil society and especially on the customers' information for a higher manufacturers' responsibility, encouraging enhancement of this responsibility, which is a long process and is of practical importance to the particular national or regional context in management of industrial changes and restructuring.

Corporate Social Responsibility becomes more and more often an object and a focus of an increasing number of projects, initiatives, educations, public lectures, conferences and other forms of dissemination of information and exchange of experience and good practices. Basically CSR continues to be an "imported" management product, which does not find a broad presence in the activities of the organizations that should be concerned by the topic. Lead by various motivations, the main engines for its development are a variety of non-government and business organizations. Certain pressure for speeding up of the CSR policy can be seen in the behavior of the trade unions and the government institutions, although their tasks to be focused on the observation of the existing legislative regulations, concerning labor conditions, social policy and others. The academic community and the media remain to great extent aside. Universities just now begin to prepare separate courses on the topic, while the media continues to treat many of the CSR practices as hidden advertising. The creation of a critical mass of representatives of different interested parties, competent in discussing and applying of CSR, could contribute to coordinated actions for working out of a CSR strategy and policy at national level.

Social responsibility is a strategic choice of the management of every organization that wishes through responsible attitude to the society and to the environment to get better integrated in the surroundings where it operates. CSR relates to the obligations of companies to society and more particularly towards those who are directly affected by the application of the corporate policies and practices.

CSR is the economic success of a specific business by including of social measures and measures for preservation of the environment in the company's operations. In other words this means to satisfy the requirements of the firm's customers and at the same time respond to the expectations of other people such as personnel, suppliers and regional society. This means a positive contribution to the society and management of the impact of this enterprise on the environment. It also may bring direct benefits for the business and guarantee long term competitiveness.

A study was made with the aim to assess the level of Corporate Social Responsibility (CSR) practices in the new EU Member States and Candidate Countries. The study was carried out as a part of the regional CSR project "Accelerating CSR practices in the new EU member states and Candidate Countries as a vehicle for harmonization, competitiveness, and social cohesion in the EU" implemented by the United Nations Development Programme Office in Lithuania together with UNDP Offices and local

partners in the Project countries: Poland, Hungary, Lithuania, Slovakia, Croatia, Macedonia, Bulgaria and Turkey. The project is financed by the European Commission and the United Nations Development Programme.

Bulgaria's economy contracted dramatically after 1989 and the standard of living fell by about 40%. The first signs of recovery emerged in 1994 when GDP grew and inflation fell, but in 1996 the economy collapsed again due to lack of international economic support and an unstable banking system. Since 1997, Bulgaria has been on the path to recovery, with a growing GDP, increasing FDI, macroeconomic stability and European Union membership. Bulgaria now enjoys low inflation, a small budget deficit, declining external debt and a stable foreign exchange (British Chamber of Commerce, 2006).

A study by the United Nations Global Compact and the Bulgarian Charities Aids Foundation (2007) on "Corporate Responsibility within the Bulgarian Context" established that giving and socially responsible practices were evolving slowly from activities of limited scope, unclear focus and fragmentation into more high profile and structured activities. This seemed to be due to positive economic development, the growing number of large foreign companies and the stronger capacity of one part of the non-governmental sector enabling it to support business better.

Large companies showed most clearly the development of structured policies of giving and socially responsible activities. With smaller Bulgarian companies these activities were still fragmented, sometimes even chaotic, and mainly motivated by the personal characteristics of their managers (UNGC & Bulgarian Charities Aids Foundation, 2007). Additionally, many companies did not make a clear distinction between giving, sponsorship and socially responsible activities. When a distinction was made it was often for the purpose of accounting and not for identifying different levels and focus of company policy.

Giving and socially responsible activities are motivated by several considerations. The study outlines them as: "establishing a positive public image of the company and its owners, ethical factors related to the vision of shared success, the compensatory role of business vis-a-vis destitute social groups, and creating more favorable conditions for one's own business. Charity is becoming a prestigious social norm, part of business's socially-acceptable behavior" (UNGC & Bulgarian Charities Aids Foundation, 2007: 27).

Business' awareness of the Global Compact Initiative is limited mostly to the representatives of large international companies whose main offices (and the Bulgarian branches) are members, and to the large Bulgarian companies (UNGC & Bulgarian Charities Aids Foundation, 2007).

Corporate Social Responsibility is a relatively new phenomenon not only in Bulgaria but in the region too. It is strongly influenced by the socialist system between 1948 and 1989 and the years after the transition in 1989. The state and large state-owned companies provided social services from public revenues. The economy was a part of

the political system so companies did not have to be profitable; they had other roles, for example ensuring full employment.

Since the transition, economic sustainability was a continuous challenge for entrepreneurs so in general local enterprises, mainly SMEs, had no time and resources to pay attention to social or environmental responsibility – the general public did not put pressure on companies to be any more than profitable. Companies had never experienced applying the principles of good corporate governance or considering their wider impacts, so there was a lack of knowledge, instruments and tools. Nobody knew how to be efficient, profitable and socially and environmentally responsible at the same time. Privatization and the new economic agenda resulted in “wild capitalism”, where profit became the most important goal for most companies in the region.

The transformation from a socialist to a market economy offered firms’ management the option to clean their books of excessive social spending which was obligatory in the former planned system of the so-called “socialist firms”. At the same time foreign investors and privatising actors who were seeking low cost economies were also less committed to the corporate social responsibility approach. Some analysts started to identify that the serious economic crisis that accompanied transition in CEE countries did not create a favourable environment to social, community or human investments on a company level.

There is a direct link between economic reform and privatisation and the emergence of CSR practices. A wave of unsuccessful or dubious first-generation privatisation deals meant that stability of ownership and market maturity prevented the establishment of longer-term business strategies which contained in them the various components of CSR. The gradual establishment of business community organisations, which act as more than the token representation of a few economically powerful individuals, and the emerging critical mass of NGO and international initiatives helped breed a perception that CSR is here to stay in this region as well. These processes helped turn the attention to the fact such practices may increasingly be a pre-condition not solely to partnership with EU-based companies but also a pre-condition for continued survival in the Single European Market.

Since the mid-90s, companies slowly moved towards a more long-term oriented way of operation thanks to the stabilization of the economy and the improvement of legal framework for employment and controls on the environmental impact of economic actors.

A significant weakness in the country is the lack of media that holds corporate actors accountable for irresponsible business activities. Only limited consumer research is available regarding consumer expectations towards more responsible corporate behaviour and the effect of such expectations on consumer choices. Companies do not

experience a pressing need to apply more responsible business practices and accountability measures.

The basic ingredients companies need to adopt if they are to create long-term economic value and play their part in sustainable development are:

Strategy: *requires a company to recognise its main social, ethical and environmental impacts and describe relevant targets and objectives relating to these impacts and that integrate with the core business strategy.*

Stakeholder Engagement: *looks for systematic dialogue processes with those who have the ability to influence a company's operations or may be affected by its business.*

Governance: *looks for clear accountability for CSR policies and performance, leading from the most senior levels of the organisation.*

Performance Management: *looks for processes, standards and incentives to achieve social and environmental goals, as well as financial ones.*

Public Disclosure: *looks for evidence of reporting on the company's social and environmental performance, as transparency about policies and performance is regarded as essential for any responsible business.*

Assurance: *looks for internal and external processes that build the credibility and effectiveness of CSR processes and reporting.*

The following evaluation for Bulgaria was made in the end of the ENDP study:

Legal and political environment: There is no published national strategy for Sustainable Development; the issues of CSR are not formally on the agenda of government. There is no specific department leading on CSR issues. There is no public procurement strategy focusing on social, environmental or ethical issues and the government has not yet enacted specific legislation to promote the wide adoption of CSR good practices among national companies.

Civil society context: Civil society is slowly developing. Although there are no independently funded national NGOs, international organisations (have the legal status of NGOs) play a significant role in spreading CSR and there are frequent articles about CSR published in the national media. Universities are offering courses in CSR and Business Ethics issues and publishing scientific articles about CSR.

Reporting: Only a few Bulgarian companies are reporting about CSR in regular, structured CSR reports. Independent assurance has not yet been adopted by these reporting companies.

Standards: 105 companies (less than 20% of all Bulgarian companies) are independently certified to ISO 14001. There are more, 120 national signatories to the Global Compact which shows the active role of the national office of the Global Compact in spreading CSR. There has been no adoption of these initiatives by second tier companies.

According to another research conducted for the UN Development Program in the end of 2007 the number of companies, certified to different standards in Bulgaria was as follows:

- 3121 to ISO 9001 (Quality Management System);
- 117 to ISO 14001 (Environment Management System);
- 107 to OHSAS 18001 (Management of Safe and Healthy Labor Conditions);
- 5 to EFQM (European Foundation for Quality Management) Excellence Model;
- 2 to SA 8000 (Social Accountability 8000).

SCR and Policies:

Policies were carried as follows:

1. National policies - Directorate "Labour conditions, crisis management and alternative conscription", Ministry of Labour and Social Policy Directorate "Preventive Activities", Ministry of Environment and Water; Ministry of Agriculture and Forestry; Ministry of State Administration;
2. Business policies - HR departments;
3. International Policies - the international "brands";

Documents on CRS endorsed by Bulgaria:

- Lisbon Strategy
- Universal declaration of human rights
- European Social Charter
- Rio Declaration 1992 (Agenda 21) – basis for the National Sustainable Development Strategy
- European Green Book on CSR
- Charter of Children's rights
- UN Global Compact

ILO conventions:

- №29 on forced labour and bonded labour, SG 91 / 26.07.1932
- №87 Freedom of Association and Protection of the Right to Organise, 1948, SG 35 / May 2 1997
- №98 Right to Organise and Collective Bargaining, SG 35 / May 2 1997
- №100 Equal Remuneration Convention, SG 35 / May 1997
- №105 №105 Abolition of Forced Labour Convention, 1957, SG 37 / May 5 2000
- №111 Discrimination in Respect of Employment and Occupation SG 35 / May 2 1997

Role and involvement of the different partners:

- CSR is a highly important issue and a permanent priority in the government policy of the Republic of Bulgaria. In accordance with the European CSR policies, government policy is oriented towards promoting CSR at national level.

- The targets set are focused on promoting sustainable development, including the aspects of socio-economic development and preserving the environment, as well as creating economic and financial tools for CSR promotion.
- In Bulgaria there is said to be a profusion of administrative units and directorates where CSR issues receive attention and some limited policy treatment. Promotion, encouragement and adoption of these practices are at the core of the efforts of the:
 - Directorate “Labour conditions, crisis management and alternative conscription“ at the Ministry of Labour and Social Policy. Other departments are involved however their activities are focused on legal requirements in these areas. Directorate “Preventive Activities”, Ministry of Environment and Water; Ministry of Agriculture and Forestry; Ministry of State Administration.

Role and involvement of social partners:

- In October 2004 the first session of the National Round Table for Labor Standards Introduction took place. The participants in this round table represented state institutions, social partners and businesses. The main objectives of the round table were as follows: improving dialogue and the exchange of information raising the awareness of social standards amongst the participants, the community and political institutions supporting the auditing process in the enterprises building national continuity. This round table meeting led to articles published in specialised magazines and newspapers, the preparation and distribution of a booklet, arrangements to present an award to the socially responsible enterprise of the year, and the first National CSR Conference.
- The first National CSR Conference took place in July 2006, with the participation of state institutions, social partners, business representatives and experts from NGOs and other EU Member States.
- At the beginning of 2007 the United Nations Development Programme (UNDP) launched the first regional project directed at accelerated CSR development in the new EU Member States and the candidate countries of Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovakia and Turkey.
- Business networks from Spain, the United Kingdom and Germany will take part in the project, which will contribute to the exchange of experience and good practices in the CSR area. The project is directed at disseminating practices adopted by local and foreign companies, but it is also aimed at business and branch associations, local and central governing bodies, trade unions, scientific circles, NGOs and the media from participating countries. The project is being implemented by the resident representatives of UNDP in the relevant countries, in cooperation with national and regional partners.

CSR and Awards:

- In July 2006 Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities, and Emiliya Maslarova, Minister of Labour and Social Policy, presented awards to the winners of a national competition for the socially responsible enterprise of the year during the first National Corporate Social Responsibility Conference.

- The national award for a socially responsible enterprise is competed for annually by enterprises that work in the territory of Bulgaria and that aim to implement the concept of CSR in relations with their staff, business partners and the local community. The competition is held in partnership with state institutions - the Ministry of Labour and Social Policy, the Agency for Small and Medium-Sized Enterprises and the General Labour Inspectorate - NGOs and social partners.
- The national award is a public acknowledgement giving support to the enterprises in Bulgaria that adhere to the best practices for socially responsible enterprise. It aims to raise trust, both the society and its external markets in the efforts that Bulgarian businesses make to strictly implement the national social legislation, and popularize and attract a wide range of enterprises for voluntary implementation of international corporate standards and specifications for social responsibility.

CRS and Business:

CSR is business management, which corresponds to the ethics, legislative and the social needs of the community. That is the concept has to be incorporated in the company politic, the corporative programs and development strategies.

The stakeholders here are: the investors and management, the company personnel and their families, the consumers, the social partners (the inhabitants of the surrounding area, the public authorities and the non-governmental organizations).

- The personnel and their families - Social corporative citizen means – well organized and fair /impartial/ politics according to the payments, social and health insurance, the labour conditions, the trainings, the motivation programs and additional acquirements;
- The investors and management – attract more both social corporate politics and environmental politics;
- The consumers – the company responsibility to them is connected with the production, the quality and the contents, the safety products and their sales promotions.
- The society - the care for society and the programs for corporate social responsibility can be organized under different ways:
 - Charity;
 - Sponsorships;
 - Care and support of the environment;
 - Care for the education, training and the health of the society;

The good practices show that the most efficient is commitment of the company with a closed to its activities and competencies.

There is no clear differentiation in the understanding between charity, sponsorship and CSR. The favorites in the priorities for charity and responsible activities are:

- children in specialized institutions – over 52%;
- company employees – 44%;
- disadvantaged people – 32%;
- children and young people – 19%.

The number of companies spending money for social activities increases, but the spent amounts do not exceed 2500 EURO yearly.

Expected effects and results from CSR:

- The personnel and their families – better working conditions and higher payment;
- The investors and management – higher productivity and better quality;
- The consumers – better image and profits;
- The society – better image and reputation, higher income, less unemployment, less fluctuation of labor, lack of social tension, better working conditions, better environment, more people willing to learn.

Models of CSR:

- Corporative philanthropy – initiatives based on marketing bounded with sources collection, charity and social investments;
- Corporative partnerships – collaboration between different businesses, public authorities and non-governmental organizations.

Business incentives:

- In June 2005 the Minister of Labour and Social Policy gave awards to enterprises that had succeeded in preventing accidents at work over a long period. Enterprises from various economic sectors all over the country took part in the competition. The criteria for choosing the winners were the length of the accident-free period and the degree to which the enterprise met the requirements of occupational safety and health legislation. The purpose of the competition was to direct the attention of employers to occupational safety and health issues, and show the benefits for both the enterprise and its employees from following the requirements of the legislation.

Research:

- Nationally representative research among 400 companies in Bulgaria, in a programme entitled Practices and Attitudes to Giving among Bulgarian Businesses (March 2005), assessed the understanding, practices, drivers and gaps for businesses in Bulgaria with regard to social engagement. The first *Responsiveness Business Directory*, issued jointly by UNDP, the Bulgarian Business Leaders Forum (BBLF) and the Bulgarian Charity Aid Foundations (BCAF) in June 2005, included individual profiles of companies and NGOs in order to share best practice on CSR and provide an analysis of the development of CSR in the country.

CSR Sustainable development:

- A National Sustainable Development Strategy is developed in the Republic of Bulgaria. It was adopted in 2007. The main goal of the national strategy is to define objectives, priorities and measures that will enhance the quality of life in Bulgaria for present and future generations, as well as to give a vision for the medium-term and long-term development of the country. The strategy is based on the European Union's renewed Sustainable Development Strategy and the renewed Lisbon Strategy.

- The framework of the national strategy comprises three fundamental groups of problems: environmental issues concerned with maintaining a state of natural equilibrium, economic and social problems. Among the principles to be followed in achieving the main objectives of the strategy are equality (avoiding discrimination, and reducing poverty and social isolation), social inclusion (increasing citizens' participation in the decision-making process, and the inclusion of business and social partners), the improvement of social dialogue, coherence of policies and governance (including the improvement of the interrelationship between EU policies and activities at local, regional and national level, and the integration of policies), best use of tools for better regulation, and knowledge-based sustainable development. The key challenges of the strategy are as follows:

1. Climate changes and clean energy.
2. Sustainable transport.
3. Sustainable consumption and production.
4. Preserving and management of natural resources.
5. Public health.
6. Social inclusion and demography.
7. Good governance.

The Council of Ministers established a government advisory committee with the main responsibility of coordinating activities aimed at achieving the objectives of the National Sustainable Development Strategy.

Bulgarian Industrial Association top management survey 2005:

- 65% social activity improves the positive image;
- 27% relations with local government of mutual benefit;
- 25% personal sympathy philanthropy;
- 14% social activities improves relation with target audiences;
- 16% CSR helps form a favorable public opinion;
- 68% top management chooses to support children, retired and sport, because they have strong media impact.

Sites: www.acceleratingCSR.eu,
www.unglobalcompact.bg,
http://ec.europa.eu/enterprise/index_en.htm,
<http://ec.europa.eu/enterprise/sme/index.htm>,
http://ec.europa.eu/enterprise/csr/campaign/index_en.htm,
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