



Concept Note

on

Government of Armenia

Policy on CSR

Developed within the framework of
UN Global Compact project,
UNDP Armenia

Yerevan, 2010

Table of Contents

Introduction.....	3
What is Corporate Social Responsibility (CSR)?	3
Corporate Social Responsibility in Armenia	6
The Case for Government Engagement with CSR	7
Generic Models for Government Involvement in CSR	9
Experience of Government Promotion of CSR in Other Countries	11
United Kingdom	12
Italy	13
Spain	14
Lithuania	14
The Government’s Role in Promoting CSR in Armenia	16
Structural Issues.....	16
Initial Action Plan.....	16
Appendix 1 - Summary of Government Involvement and CSR Situation in 26 Countries	19
Appendix 2 – The Ten Principles of the UN Global Compact	24

Introduction

What is Corporate Social Responsibility (CSR)?

The European Commission defines Corporate Social Responsibility (CSR) as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’¹.

Thus, CSR has been clearly recognized as a voluntarily approach to business and is seen as more than just complying with laws and regulations. At the same time, CSR has been increasingly linked to higher profitability and competitiveness as well as improved company image and reputation. An important point to emphasize is that CSR is not considered an “add-on” to core business activities, but is supposed to be closely integrated to business strategy and management. It is also important to note that CSR implies engagement with a wide range of stakeholders, limited not just to the company’s shareholders, management or staff but also including the community, national government, local authorities, civil society, customers and even competitors.²

In order for a company to plan the strategic integration of CSR into its operations, it needs to examine its value chain and determine the ways in which the company impacts its environment (not just limited to natural surroundings, but also including society and the country’s economy) as well as the ways in which that environment impacts the company. An example of how the environment affects a company could be the education system. If a company finds that it has a limited labor pool because the education system in a country is not producing skilled potential employees, as it part of its CSR strategy it could invest in this area and work with the government to develop education programs that would then produce the skilled workers it needs.

CSR is done in the *business* interest of a company, and not purely out of a sense of charity. This is important because if a company is spending money on CSR activities purely out of a sense of charity, these activities would stop as soon as there are financial difficulties and the company is forced to make budget cuts. In order for CSR to be sustainable and to be consistent in the benefits that it provides society, it has to be in the business interest of a company. There are four prevailing reasons why companies engage in CSR³ –

- *Sustainability* – In a world where resources are limited, many companies are taking a long-term view of their operations and realizing that they need to act today in order to make sure that they can continue existing a few decades later. Issues of sustainability vary and are specific to a company’s operations. Labor-intensive industries need to consider issues such as the health education of the workforce and conflict prevention. In countries with high prevalence of HIV/AIDS and conflicts, a shortage of healthy young men and women means lower productivity, so it is a company’s business interests to invest in solutions to these problems.

¹ European Commission Memo/09/109, Brussels 2009

² Commission Of The European Communities, Communication Concerning Corporate Social Responsibility: A Business Contribution To Sustainable Development, 2002

³ Michael E. Porter and Mark R. Kramer, *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*, Harvard Business Review, December 2006

- *License to operate* – This is not a license in the legal sense of the word, but rather an approval by the community in which the company operates. Perhaps the best example of this is in the mining sector, where often communities may look with suspicion at companies who have come to exploit the mines in their regions. Companies often invest heavily in these communities and build schools, hospitals, cultural institutions and other infrastructure. They involve themselves in the community's events and demonstrate to the people in their immediate vicinity that the company's success will lead to the community's success. This leads to a general approval in the community of the company's presence and a desire to see the company succeed.
- *Reputation* – This is perhaps the least strategic of the reasons for involvement in CSR and focuses mainly on Public Relations and the perception of the company among consumers. Companies realize that when there is not much that separates their products from those of competitors, their reputation may be the additional factor that may lead customers to choose them.
- *Moral obligation* – Companies need to make sure that their business is not harming stakeholders, otherwise there could be serious consequences at a later stage. Consumers, shareholders and other stakeholders are all increasingly more engaged with the companies operating in the market and in today's information age, it is easy to find out where companies source their raw materials from, how they treat their employees and get details on other ethical issues. It is in a company's best interests to stay on the moral high ground in order to carve an image as a good corporate citizen and manage risks in this area.

In all cases, what is clear is that CSR results in mutual benefit for companies and society. It is aimed at long-term solutions, rather than quick returns for the company.

CSR is an essential component of the sustainable development of any country as a whole. The private sector is the driving force of economic development and a strong CSR strategy is synonymous with sustainable business. There are numerous issues that can be solved with the joint efforts of the government, private sector and non-profit sector which will lead to mutual gains for all of those involved and for the wider society as well. The areas below are examples of how the needs of society, government and the private sector meet. In all these cases, maintaining a high level or making improvements where necessary is to the benefit of companies, society and the government, and these are therefore areas where all sides would potentially invest resources.

- *Education* – Businesses may require a labor pool with specific skills or with higher quality of general skills. This labor pool also serves government institutions and allows Ministries and other state structures to improve the quality of its own staff as well. Employees with greater skills are also more active citizens with a greater sense of civic conscience. In conditions of economic development, the ability to gain more skills is associated with a higher salary and better living conditions for the individuals involved.
- *Healthcare* – As mentioned earlier, companies in labor intensive industries are interested in having a young and healthy labor pool. A population of this kind is also beneficial to the economy. Families with young and healthy working members are financially independent and do not rely on welfare or other state benefits.

- The Environment – Businesses in many sectors depend on natural resources such as water, wood, fuels and so on. A scarcity of any of these resources is associated with greater expenses in obtaining them and a small profit margin. These resources are also vital for the functioning of a country's economy through these companies and in other areas as well, such as tourism. Pollution control and the maintenance of natural beauty are essential to a society in order for it to have a healthy standard of living and gain esthetic pleasure.
- Human Rights – A high standard of human rights and employer-employee relations are a reputational issue for companies and are important for employee satisfaction and productivity. Governments are also interested in maintaining a good human rights profile for moral and reputational reasons as well as to attract more foreign direct investment.

These examples illustrate the vast common ground around which governments, businesses and societies can work together. The promotion of CSR is of great importance in having impact on these areas because the business sector must be engaged in all these areas in order for there to be sustainable improvement.

The international community is also an important stakeholder in the improvement of the CSR situation in any country. International bodies such as the United Nations, the World Business Council for Sustainable Development and the International Organization for Standardization (ISO) set guidelines and establish codes that support companies and governments in promoting CSR.

The International Organization for Standardization launched the ISO 14000 series in 1996 and updated ISO 14001 in 2004. This is an environmental management system that is now being used by organizations and companies in more than 155 countries and besides the positive ecological impact this standard provides tangible economic benefits in the areas of

- reduced raw material use
- energy efficiency
- process efficiency
- reduced waste generation and disposal costs, and
- utilization of renewable resources⁴

ISO is now developing the ISO 26000 series, which is due to be published in 2010 and will address issues of Corporate Social Responsibility, including the adoption of standard definitions, practical steps in the application of CSR concepts, standards for CSR reporting and so on.

⁴ International Organization for Standardization, *Environmental Management: The ISO 14000 Family of International Standards*, Geneva, Switzerland, 2009

Corporate Social Responsibility in Armenia

The concept of CSR is still in a very early stage in the country and it is mainly the multinational companies that have some understanding of what this is and why it is important. There is also a lot of confusion between strategic CSR and corporate philanthropy. While some local Armenian businessmen are philanthropically quite active, this is often associated with the individual and there is not integration of this activity with the core business model.

In cases where companies are philanthropically active, any donations – either in cash or in kind – made by them are taxed, as required by law. The Government of the Republic of Armenia has stated its position a number of times regarding taxation policies in this area – no changes are on the agenda anytime soon.

Armenian law also protects natural environments and holds businesses responsible for their negative impact on their surroundings. While this law is good on paper and is based on sound policy, there is a general consensus that it needs stronger mechanisms for its proper implementation.

The Government of Armenia has stated in its 2008-2012 program that Corporate Social Responsibility will be encouraged. The government's vision in this area begins with a focus on the shadow economy. It is believed that the first step to corporate responsibility is compliance with law and payment of due taxes. Therefore, virtually all of the government's efforts in the area of CSR have, up to this point, been focused on creating a level playing field for companies and ensuring that all corporate citizens pay the full amount of taxes required of them. While a lot has been achieved in this area over the past 2 years, there are still a number of companies claiming that their competitors continue to successfully evade tax payment. In such a situation, law-abiding companies are struggling to stay competitive and CSR loses its attractiveness as a tool to give companies business advantages.

A few companies in Armenia are getting active in the area of CSR, but these are mainly multinationals or ones with significant foreign investment.

Some companies operating in Armenia have made a big name for themselves in this area and have a big role in popularizing the term 'Corporate Social Responsibility'. But any company's approach to CSR has to be very clear and strategic, with a distinction between CSR and other activities such as charity, commercial sponsorship and so on. At the same time, there is a general consensus that society is truly benefiting from these initiatives. Other companies like those in the IT sector are investing in education and working in partnership with universities to establish programs that will ensure a skilled labor pools for the company and the whole sector. Some companies are seeking to give technology a greater role in education. Companies which work with agricultural raw material are educating and supporting farmers in order to improve the quality and quantity of harvests, which is of mutual benefit to the company, the farmers and the country's economy as a whole.

In the non-profit sector, a few organizations have been working to make more information available about CSR and its importance to businesses. The CSR Working Group is an informal partnership between the Armenian office of the British Council, the UN Global Compact, the Eurasia Partnership Foundation and the American Chamber of Commerce in Armenia. Since 2008, this working group has organized a number of conferences, discussions and workshops on CSR in the country, involving more than 50 business companies and organizations.

The UN Global Compact is the world's largest network of private companies and non-profit organizations interested in promoting responsible business. Established globally by the former UN Secretary General Kofi Annan in 2000, the initiative began in Armenia in 2006. All

members are required to adhere to ten main principles, outlined in appendix 2. At the time of this writing, the local Global Compact Network in Armenia has 41 members. The implementation of four major CSR projects and training for more than 30 companies are among the network's main achievements. It also has an important role as a platform for dialogue between the business sector and policymakers in Armenia.

Wider engagement of the government with the CSR agenda has the potential to lead to a number of positive developments for Armenia. The next section makes the wider case for the government's involvement in this area.

The Case for Government Engagement with CSR

As outlined by the World Bank, the public sector's involvement with CSR can strengthen this concept and have a number of benefits for developing countries⁵. Importantly, this needs to be done when minimum environmental and social standards are established and implemented in a balanced manner. In such situations, governments have a number of reasons to consider giving advantages to the corporate citizens that go beyond minimum compliance. The justifications for this engagement by the government have been listed as the following –

- **CSR influences national competitiveness**

CSR and national competitiveness are linked in a number of ways.

- The World Bank and IFC have shown that foreign investors look at a country's CSR situation as one of the factors which determine whether or not they are going to invest there. Most investors are seeking a clear position on how - both through legislative and non-legislative means - the government punishes irresponsible companies and encourages those with good CSR. The Government of Armenia can use the CSR agenda to make the country a more attractive destination for foreign investors.
- Improved CSR practices by Armenian companies will also lead to better market access for those of them that are seeking to export their goods or services to foreign countries. CSR codes and standards are continuously being developed and adopted by European and North American countries. If the government can encourage companies to improve their CSR strategies, this would lead to Armenia being a more competitive supplier abroad.
- Using CSR to pursue social and environmental public goods can also be linked to improved competitiveness. For example, the government can work in partnership with the private sector to improve education and link skills-based teaching with the needs of the private sector. This would lead to a more competitive workforce; one which is better prepared for employment and is more attractive to businesses, both local and international.

- **CSR priorities vary from country to country**

While the general concept of CSR remains the same, each country has its own set of priority issues and a unique context. The government's involvement in CSR will help shape priorities that are in the country's best interests. Because multi-national companies in Armenia tend to be ahead of the local enterprises when it comes to

⁵ World Bank And International Finance Corporation, *Public Sector Roles In Strengthening Corporate Social Responsibility: Taking Stock*, 2004

working in CSR, the government needs to help shape a CSR agenda that local companies will understand and to which they will contribute on an even footing.

- **CSR leads to increased local enterprise**

When business companies invest in communities to tackle issues like supply chain problems, there may be positive economic development as a result. For example, a company producing wine may choose to invest in training grape growers and providing assistance to them in the form of equipment or other resources. In this way, the company aims to get a larger supply of better quality raw material – in this case, grapes – and at the same time raises the standard of living for the farmers by providing them with more income. Such local enterprise can be further enhanced and developed if the government takes active part in similar initiatives by supporting and sustaining them.

- **Legislation and CSR practices may sometimes contradict each other**

Governments need to be involved in the development of CSR trends in the country to ensure that they do not hinder it in any way. The risk is that if businesses are allowed to develop the CSR agenda on their own and if the government stays away, it may end taking steps in other areas that may unintentionally create obstacles for CSR activities. At the same time, development of legislation that is aimed at improving CSR practice can be made more effective in cooperation with businesses. For example, legislation aimed at improving working conditions in carpet factories may have fees and penalties outlined by the government for those who do not meet the required standards. But if companies who buy those carpets oversee their suppliers and refuse to buy from factories where the labor conditions are sub-standard, this can be a greater incentive than the government penalties. Therefore, the government can choose to avoid trying to organize the unnecessary legislation and this can also take the burden of supervision off from the government's shoulders.

- **CSR leads to productive public-private partnerships**

This is one of the most obvious reasons for government involvement in CSR and one where a few success stories have already been noted in Armenia. In a number of infrastructure and other projects, the needs of the government, the private sector and society all coincide; in these cases, partnerships are cost effective and lead to sustainable results. In 2009, the Government of the Republic of Armenia approved a concept paper on Public-Private Partnerships that aimed at further developing this area of work.

It is possible to sum up the justifications above by simply stating that Corporate Social Responsibility can contribute greatly to sustainable development. Sustainable development, in turn, is the aim of virtually every government in the world and the Republic of Armenia is no exception. In order to ensure that we will meet the needs of our citizens today without compromising our future generations' abilities to meet their own needs, all three sectors – the government, business companies and civil society – must work together. This is for the benefit of each of those sectors as well as for the good of the citizens of the Republic of Armenia.

Generic Models for Government Involvement in CSR

The World Bank and International Institute for Environment and Development (IIED) have established a system of classifying the different models for governments' involvement in the area of CSR⁶. This consists of four key public sector roles and ten key CSR themes.

The four key public sector roles are the following –

- **Mandating**
In this role, governments set definitions and standards for business performance and this is set in country legislation. For example, companies may be required by law to submit CSR reports. Mandatory requirements are not always stifling and sometime drive innovation and development. One known example is that some countries require by law the companies use the “best” available technology to manage industrial emissions. As the “best” technology changes and improves, companies have to keep up and adopt this in their practices.
- **Facilitating**
In this role, governments make it easier for companies to adopt CSR practices. This may include a number of different approaches. For example, governments could provide funding for research into CSR and the development of guidelines for companies. Governments may also use legislative means to provide tax breaks for companies that invest in the community and drive development. Other facilitative measures include labeling schemes and the encouragement of CSR reporting by providing companies with expertise and resources to introduce these measures.
- **Partnering**
In this role, governments work alongside the private sector to achieve mutual objectives. As stated earlier, this is perhaps the role that we are most familiar with here in Armenia. Examples of partnerships may include improved infrastructure, such as investment by companies in water supply systems, roads and so on. Companies may work with Ministries of Education to develop training programs that will then provide them with a skilled labor pool. Wider partnerships may also involve non-profit organizations and local groups.
- **Endorsing**
In this role, governments seek to provide moral or other kinds of encouragement to companies that are ahead of the rest in CSR practices. This may include an awards scheme, where the best companies are recognized on a regular basis. It may also be reflected in the government's procurement policy, where companies with good CSR records are given preference over others.

The ten key CSR themes are the following –

- **Setting and ensuring compliance with minimum standards** – State bodies have an obvious role in establishing the laws and regulations to which companies must adhere and the state's role in enforcing these regulations is also clear. But besides *mandating* these regulations, the government can also *facilitate* and *partner* with companies to set new standards in the industry. For example, companies can work with relevant

⁶ World Bank and IIED, *Public Sector Roles In Strengthening Corporate Social Responsibility: A Baseline Study*, October 2002

structures such as the Ministry of Nature Protection to set themselves non-binding standards for environmental impact and work together to ensure that those standards are reached.

- Public policy role of business – The private sector can be a big player in tackling social and political issues. For example, Armenia is faced with a very low level of employment of people with physical disabilities. The state can choose to influence businesses in tackling this issue and again this can be done through the four roles mentioned above.
- Corporate governance – An effective corporate governance code offers companies guidelines for operations, examples of best practice and may include legal requirements. Since a new Corporate Code has been developed in Armenia with the support of the European Bank of Reconstruction and Development, this paper will not deal with the issue of corporate governance in detail.
- Responsible investment – This refers to the notion of investing financially only in companies which have good CSR strategies and activities. The government's role here may either be to provide information to potential investors about companies' CSR strategies or, as a potential investor itself, the government may choose to provide financial support in difficult times only to companies who have established good measures to deal with environmental and social issues in their communities.
- Philanthropy and community development – Many large businesses and individual businessmen choose to engage in philanthropic acts from time to time and, as mentioned earlier, this is growing increasingly common in Armenia as well. The government may choose to work with these companies and, based on its own plan for the country's development, may suggest possible places where they could direct their philanthropic contributions. The government may also choose to participate financially, e.g. make contributions to a particular educational or cultural institution on a 50-50 basis with private sector companies.
- Stakeholder engagement – The government must maintain contact with the private sector and keep it involved in development activities in the country. The government may also choose to empower the non-profit sector to work more with private companies by various means such as providing information and guidelines.
- Pro-CSR production and consumption – There are an increasing number of companies around the world that are getting involved in “green” products and services. For example, small companies are beginning to produce solar or wind energy systems or “fair-trade” products where the supply chain is under close supervision. The government could encourage the growth of such companies through legislation or other means, for example by giving them preference in cases of procurement.
- Pro-CSR certification – Some governments in different countries have award and certification schemes for companies. This means that the state provides the private sector with a list of standards that they have to meet and may subject the companies to occasional inspections. In return, companies receive a state-endorsed certificate that maintains and enhances the company's reputation among consumers, investors, employees and others. This also includes labeling schemes such as eco-labeling or social labeling.
- Pro-CSR reporting – While a few companies in Armenia have begun to produce CSR reports voluntarily, governments in some countries have made CSR reporting a mandatory requirement. In Armenia, the government may have a role in this area as

an information provider in the initial stages, giving companies the accepted guidelines for CSR reporting based on approaches used in other countries.

- Multilateral processes and conventions – There are a number of international organizations and structures that are working with the private sector to improve their CSR strategies and activities. The government can choose to endorse these organizations and work with them closely, organizing joint events to spread information about CSR to as large an audience as possible. In Armenia, this could be the Local Network of the UN Global Compact or the CSR Working Group.

Experience of Government Promotion of CSR in Other Countries

The experience of other countries can help inform the Government of Armenia about the possible institutional setup that could be adopted in our country. Over a wide range of countries – from those in Western Europe where CSR has more than a decade of experience to those in Central and Eastern Europe where the concept is relatively new – there is a variety of government structures and departments involved in leading on the work in CSR.

Appendix 1 provides a summary of the state structures involved in CSR in a number of countries with a few examples of activities to promote CSR, led or supported by the governments in these countries.

There are a few common points and interesting examples that are worth highlighting separately –

- In many countries, the government is taking an active part in spreading awareness about CSR. Whether this takes the form of a separate inter-departmental structure that is set up, a subdivision of a relevant Ministry or simply a team given this task, many governments have found that businesses and the non-profit sector need to have a common understanding of good corporate responsibility and the government can be the actor that will coordinate this area. Governments have done this by publishing handbooks and by setting up websites that provide resources on understanding the importance of CSR, assisting companies in setting up their CSR strategies, providing advice for reporting and adopting standards.
- Governments set up inter-sectoral advisory boards and consult with stakeholders from all sectors when setting up a wider CSR strategy or a sustainable development plan for the country. This ensures that voices from all sectors are heard and all viewpoints are considered before any definite decisions are made on CSR legislation, regulation or other means that are meant to provide incentives to the private sector.
- Governments often provide support to structures that have already been set up in the private or the non-profit sector, rather than start everything from zero. In many countries, this has been a Chamber of Commerce, a UN Global Compact chapter or a non-government organization that is working in the area of CSR, environmental awareness, human rights and so on.
- Public procurement is a tool that many governments have chosen to use in this area. At the same time, it is also important for governments to show that they are “responsible” by not providing contracts to companies that do not demonstrate corporate responsibility. In those countries where governments choose the winners of tenders based on points, CSR is a separate criterion which can earn bidders additional points and give them advantages over those competitors who do not have good CSR

practices in place. This encourages CSR in the private sector and also improves the government's image in the eyes of those citizens who care about social and environmental issues.

The following examples illustrate the different structural options and practical steps taken by governments of four countries in this area.

United Kingdom⁷

The UK has long been considered one of the global leaders in the development of CSR as a concept. It is the home to a number of globally recognized CSR education programs and the previous government had a Minister for Corporate Responsibility. At the time of this writing, the newly-formed coalition government had not fully formed its strategy in the area of CSR promotion, but it is expected to continue working actively in this area. This statement from a government report in this area clearly demonstrated that the importance given to CSR is grounded in the belief that it is of economic benefit to the country –

“The Government has a significant role to play in fostering the right climate and promoting the business case for Corporate Responsibility both domestically and on the international stage as well as providing the leadership to achieve consensus on the broad vision and priorities for action. We want to encourage all UK businesses to recognize the strategic advantage of Corporate Responsibility and take voluntary action to raise their standards of behavior above minimum legal requirements. And above all, we want to reach out to those companies who remain to be convinced of the value of Corporate Responsibility to their business success.”

Below are some specific examples of actions taken by the UK government to promote CSR in the country.

- The Companies Act of 2006 outlined the expected role of managing directors and CEOs of companies, which also included dedicating time to CSR activities. The Act also established the concept of ‘enlightened shareholder value’, which spoke about the necessity to consider a wider range of matters than simply increasing profit margins, as this would lead to the greater benefit of shareholders themselves. The Companies Act also expanded the Business Review that companies in the UK were already required to provide. The new Business Review also included ethical, social and environmental issues.
- The Office of the Third Sector was set up to promote partnerships between the Government and the non-profit sector. These partnerships would very often develop into multi-stakeholder projects which also involved the private sector.
- In 2008, the Department for International Development (DFID) and Chatham House set up the Procurement for Development Forum, which had most major UK and international supermarkets as members. These supermarkets developed and implemented ethical supply chain mechanisms to ensure that the products that they were selling were all sourced from suppliers without ethical or legal compromise.
- The UK government also gives sector-specific support to businesses, through initiatives such as the Multi-Fiber Agreement (MFA) Forum for the textile industry, the Extractive Industries Transparency Initiative (EITI) for the oil, gas and mining industry,

⁷ Her Majesty's Government, *Corporate Responsibility Report*, 2008

the Medicines Transparency Alliance (MeTA) for the pharmaceutical industry, the Construction Sector Transparency (CoST) initiative and so on.

- The government provides businesses with a number of internet resources which they can use to enhance their understanding of CSR and also improve their compliance with government requirements. Examples of such resources are the Carbon Trust (www.carbontrust.co.uk), which is a private company that receives significant government funding. NetRegs (www.netregs.gov.uk) provides free guidance to companies on environmental regulations.
- The government collaborated with Business in the Community, a leading non-profit organization in the area of CSR to develop the Corporate Responsibility Index, a benchmark for CSR that companies could use to evaluate their performance.

*Italy*⁸

The government of Italy has developed a strategy for the promotion of CSR with a multi-stakeholder point of view and bottom-up and top-down approaches. The strategy also has roles for both the central government as well as regional and local authorities. Some of the activities that the government has undertaken are as follows, categorized on the basis of the stakeholder group that they have involved -

- Structures within government -
 - Green public procurement policies were developed and implemented for all public tenders.
 - International agreements on sustainability and corporate responsibility were signed with China and the UK.
 - European Commission events on CSR were hosted in Italy and conferences were organized.
 - Funding for CSR research was provided to state universities and institutions, in order to encourage local studies and body of knowledge.
- Government in partnership with business –
 - CSR awards were developed and those companies with good CSR policies were recognized by the government on a regular basis.
 - The Government used existing websites, journals and other media to promote the concept of CSR.
 - Management tools were developed for businesses to encourage the implementation of CSR.
- Government in partnership with non-profit sector –
 - NGOs were encouraged to report on the behavior of businesses.
 - The government provided funds to non-profit organizations to encourage studies and communication campaigns on CSR.
 - NGOs were also encouraged to continuously provide information to the government on public opinion about CSR, in order to help monitor the effectiveness of the government strategy.
- Government in partnership with both business and non-profit sectors –
 - An Italian Centre for Social Responsibility (I-CSR) was set up which included stakeholders from all sectors.

⁸ Buckland, Tencati and Midttun, *The Changing Role of Government in Corporate Responsibility*, 2006

- Multi-stakeholder partnerships were set up to deal with social and environmental issues faced by the country.

*Spain*⁹

In 2008, Spain established in the National Council for Corporate Responsibility. The objectives of this Council were outlines as follows –

- To provide a forum for debate on CSR among business organizations and trade unions, public bodies and other organizations and to serve as a framework for the development of CSR in Spain.
- To encourage initiatives on CSR and proposing as part of its advisory and consultative functions, measures that pay special attention to the uniqueness of SMEs.
- To report, where relevant, on the initiatives and government regulations affecting the actions of businesses, public and private organizations.
- To promote the standards and characteristics of CSR and sustainability reports, as well as provide tools for processing and monitoring.
- To analyze the development of CSR in Spain, the European Union and third countries, and report on activities relating to Corporate Social Responsibility.

The Council consists of a President, who is the Minister of Labor and Social Affairs, twelve members representing business organizations, twelve members representing trade unions, twelve members representing non-profit organizations that are knowledgeable in CSR and twelve members from the government, of which eight are from the central government and four are from regional and local administrations.

The following were established as priority areas for the National Council for Corporate Responsibility –

- Diversity management and social cohesion
- Contribution to a productive economy
- Transparency and communications
- Socially responsible investment
- Integration of CSR in education

Additionally, working groups have been set up to meet the needs of the hour, e.g. a working group on CSR in times of Economic Crisis was set up in 2009.

*Lithuania*¹⁰

Lithuania has shown a very active interest in developing CSR and has seen it as being an integral part of their strategy towards the creation of a dynamic, competitive and sustainable

⁹ Ministerio de Trabajo y Asuntos Sociales, Real Decreto 221/2008 por el que se crea y regula el Consejo Estatal de Responsabilidad Social de las Empresas, 15 February 2008

¹⁰ Ministry of Labor and Social Security of the Republic of Lithuania, *The Adoption of Measures to Promote Corporate Social Responsibility in the Period 2006-2008*, December 2005

economy. Led by the Ministry of Social Security and Labor, the objectives that they laid out for themselves in their Promotion of CSR Strategy 2006-2008 were –

- Promoting a better understanding of CSR
- Improving the ability of the private sector to implement CSR activities
- Improving the legal framework for the development of CSR

Each of these objectives had a set of activities outlined against it. The promotion of a better understanding of CSR would be achieved by printing and distributing a manual produced by business sector experts, setting up a website with similar information, organizing roundtable discussions with representatives from the private and non-profit sectors as well as organizing national and international conferences on the topic of CSR.

In order to improve the ability of the private sector to implement CSR activities, the Lithuanian government developed a training program for the private sector in consultation with experts in the area. They also developed a training module for civil servants, in order to familiarize them with the concept. The government also set up education programs for high schools and universities which would improve the understanding of CSR in these audiences and encouraged activities in schools that led to discussions about business' role in society. Finally, the government developed a research program to encourage local studies and surveys on CSR.

In order to improve the legal framework for the development of CSR, the government set up a permanent coordinating committee, which was asked to look at the experience of other EU countries and to develop a comprehensive legal framework.

The activities listed in this strategy were funded through the state budget, EU structural funds, the UNDP, CSR international assistance programs and business associations. The Lithuanian Government is currently finalizing a continuation of this strategy, which will cover the period up to 2013.

The Government's Role in Promoting CSR in Armenia

Structural Issues

The experience of other countries outlined in the previous section and in appendix 1 demonstrates that a wide range of state and non-state structures can lead on developing the concept of CSR in a country. Two ministries feature most commonly across this range – the Ministry of Economy and the Ministry of Labor and Social Affairs (with varying names in different countries).

In Armenia, the key factors to consider when planning for a government role in CSR promotion are the following –

- The government structure will need to understand the business context of the country and be able to influence this context, the companies operating in the country as well as the business associations and other relevant structures.
- CSR needs to be recognized as a tool primarily for the development of the whole country's economic competitiveness. CSR will also lead to the management or solution of certain social and environmental issues, but the primary driver has to be the business benefit that companies (and the Armenian economy as a whole) will gain through its proper implementation.
- CSR, as previously noted, has country-specific characteristics, based on the prevailing sectors of the given country's economy. The priorities for CSR need to be aligned with the primary objectives of strategy for the economic development of the country as a whole. This is especially true when CSR is a relatively new concept in a given country.

Based on these considerations, the best option for a government role in the development of CSR in Armenia would be to entrust this role to the Ministry of Economy. Since Armenia is at an early stage in the development of CSR, this role can be fulfilled by a relevant department within the Ministry of Economy for a brief period, until a wider action plan is developed.

Initial Action Plan

At this early stage in CSR development in Armenia, it would be counter-productive to have a large action plan requiring a lot of resources for implementation. In order to get the promotion of CSR on to a stable platform, having a compact action plan which tackles the main obstacles in the promotion of CSR would be more appropriate and effective. Once this action plan has been successfully implemented, a review of the situation would allow the government to develop a wider strategy and take new steps to consolidate the success achieved.

One of the main obstacles to the development of CSR in Armenia has been identified **as the lack of information**. A clear understanding of the concept of CSR is lacking in the private sector (where very few local companies differentiate the idea from corporate philanthropy) and this holds true for the government, the non-profit sector and the general public as well. In order for the future development of CSR to be possible, the government must first support the establishment of a clear understanding of this concept in Armenia. Most importantly, the government must educate its own cadres as well as the general public.

Another obstacle that companies in Armenia have pointed out is the **lack of incentives** for the implementation of CSR. There are a few sub-factors to this obstacle. The existence of a considerable shadow economy in Armenia means that some companies are not on a level playing field with their competitors. If the competition is not paying all the taxes due, then it can be difficult to survive in the market through just 'playing by the rules' and CSR cannot offer a competitive edge to a given company. This sub-factor is being dealt with through the Armenian Government's actions to reduce the shadow economy and will not be expanded upon separately here. Another sub-factor is the lack of any tax breaks or other motivating factors by the government to promote CSR. While the government remains committed to avoid tax breaks at this time, there are a number of other schemes that can be implemented to provide companies with incentives to improve their corporate responsibility.

An initial action plan must deal with these two obstacles in order to allow the further development of CSR in Armenia. The action plan can be summarized in the following points.

- *Adoption of a Concept Paper on CSR* – As a first step, this is necessary in order to clearly communicate to all stakeholders – the private sector, non-government organizations, consumers and even other structures within the government – that the public sector considers CSR important for the country's development and is taking its involvement in this area to a qualitatively new level.
- *Development of Stakeholder Group for CSR* – while the action needs to be led by the Ministry of Economy as detailed earlier, there are a number of actors in Armenia already working in the area of CSR. These include international and non-profit organizations such as the CSR Working Group (see section *CSR in Armenia*). Additionally, the Armenian Chamber of Commerce has expressed interest in being involved in the development of CSR in Armenia and educational institutions such as the American University of Armenia have some experience in this field as well. Some businesses may also be interested in playing a part. Collaboration within this stakeholder group will allow the Ministry of Economy to get the best expertise in the area of CSR.
- *Development of basic information package on CSR* - This is possibly the most important stage in this action plan, where the Ministry of Economy works with the Stakeholder Group for CSR to develop a resource pack promoting CSR. This pack should include the basic concept of CSR and a number of practical examples of what constitutes CSR and what it simply corporate philanthropy. The UN Global Compact initiative has developed a textbook for universities introducing CSR, which can be a good starting point for the resource pack. This resource should be made available online and also in print, since a small percentage of the Armenian population uses the internet on a regular basis. The resource can be made available to businesses through relevant members of the Stakeholder Group like the Armenian Chamber of Commerce and the American Chamber of Commerce or other channels of the Ministry. The information package can also present and clarify the ISO standards and their application to businesses in Armenia. As internationally developed and accepted standards, they are of great value to Armenian businesses that seek to prove their credentials to both domestic as well as foreign markets and investors. The Government of Armenia can have great impact in this area by educating companies on ISO standards and encouraging the adoption of these standards.
- *Educating the Government* – The Ministry of Economy should take the lead in informing and educating its own staff and other relevant ministries on the concepts of CSR. The information package developed could be supplemented with additional material on CSR from a public sector point of view and training programs could be

organized through experts provided by other members of the Stakeholder Group such as the UN Global Compact.

- *The First National Conference on CSR* – Organizing a national conference on CSR is an important step in the action plan both because of the content that it will provide to educate companies and organizations on CSR and also to relay the message clearly that the Government of Armenia is very interested in widely promoting CSR as a part of ensuring Armenia's sustainable development. The conference would allow participating companies and organizations to get more information on the concept and also to ask questions and get clarifications from local and international experts in this sphere.
- *Introduction of CSR as a criterion for public procurement* – This step is also aimed, at the beginning, at relaying the importance of CSR for the government. While companies do not have a clear idea of what it is, it would be unfair to expect them to provide CSR reports as part of their bids for public tenders. But the appearance of this criterion would reinforce the importance of this new concept and provide businesses with an added incentive to understand CSR and take their first steps in developing and implementing a CSR strategy.
- *Media involvement* – Throughout this initial action plan, the mass media must be involved and used to get the message out to the wider public. The use of special programs on state television and radio or the encouragement of discussions on this topic on other media outlets would lead to a clearer understanding in the public of what is meant by CSR and why consumers should choose the products or services of companies which are better corporate citizens. A growing understanding of CSR in the public would be an additional incentive for companies to grow more active in this area
- *Review and planning* – A reasonable timeframe must be developed for the points above, after which a general review of the situation must be conducted. The review can take the form of a study which includes both a survey of the general population of their understanding of CSR as well a qualitative component with the private sector outlining their needs and perceptions. This review will allow the Ministry of Economy to develop an expanded action plan (if the initial steps have proved successful) with the possible introduction of CSR reporting, international standards and eco-labeling or it may result in a longer period of awareness raising (if the initial steps have not provided the desired results) using other means.

An export-based economy needs to stay competitive and up-to-date on the latest information and requirements. More and more countries are starting to realize the importance of CSR and adapt measures that demand corporate responsibility from foreign companies. If a clear understanding of CSR is established and companies here begin to actively develop this part of their operations, Armenian businesses will benefit from being more competitive on the international market.

The active involvement of the Armenian Government in the promotion of CSR will allow Armenia to meet the challenges of the 21st Century with a strong economy that is sustainable and responsible.

Appendix 1 - Summary of Government Involvement and CSR Situation in 26 Countries

Country	State or other structure(s)	Features of CSR
Austria	<ul style="list-style-type: none"> • Federal Environmental Agency • Austrian Business Council for Sustainable Development (RespACT) • Consumers' Association of Austria 	<ul style="list-style-type: none"> • Companies Act (1966) emphasized importance of companies' operating in 'public interest' besides stakeholders' profits • CSR policy for government procurement currently being developed • RespACT produced CSR Guiding Vision in 2003 which recommends (but does not make mandatory) regular CSR reports • Federal Government adopted Sustainability Strategy in 2002, which includes many CSR features • Austrian eco-label awarded by Consumers' Association of Austria
Belgium	<ul style="list-style-type: none"> • Wallonia Ministry of Economy • Sustainable Development Federal Public Planning Service 	<ul style="list-style-type: none"> • Government adopted Federal Action Plan for CSR in December 2006. Plan includes recommendations to improve transparency, ethical investment and to increase the flow of information to the public • Comprehensive government websites on Sustainable Development and CSR
Bulgaria	<ul style="list-style-type: none"> • Ministry of Labor and Social Policy • Ministry of Environment and Water • Ministry of Agriculture and Forestry • Ministry of State Administration 	<ul style="list-style-type: none"> • Besides the Labor Code, important government documents include Bulgarian Protection against Discrimination Act and Bulgarian law on the integration of disabled people
Croatia	<ul style="list-style-type: none"> • Directorate for International Economic Cooperation • Ministry of Economy, Labor and Entrepreneurship 	<ul style="list-style-type: none"> • CSR mentioned in National Strategic Development Framework 2006-2013 • Recently launched National Sustainable Development Strategy
Cyprus	<ul style="list-style-type: none"> • Ministry of Commerce, Industry and Tourism • Environmental Agency, Ministry of Agriculture, Natural Resources and Environment • Energy Institute of Cyprus 	<ul style="list-style-type: none"> • A Special Fund Management Committee was founded in the Ministry of Commerce, Industry and Tourism to offer grants to businesses for energy saving investments, e.g. use of renewable energy • Consultants work within Environmental Agency to provide advice to companies on reducing their negative environmental impact • European eco-label provided to businesses

Concept Note on Government of Armenia Policy on CSR

Country	State or other structure(s)	Features of CSR
Czech Republic	<ul style="list-style-type: none"> Ministry of Labor and Social Affairs Ministry of Industry and Trade Ministry of the Environment 	<ul style="list-style-type: none"> The country's strategic objectives for 2013 are to create the basic prerequisites for the coordination of activities of major organizations around the promotion of CSR, cooperation in the implementation of professional activities on the issue of CSR towards the public and the creation of a discussion forum on terminology and content of social responsibility
Denmark	<ul style="list-style-type: none"> Danish Government Center for CSR, Danish Ministry of Economy and Business Affairs 	<ul style="list-style-type: none"> Government recommends adoption of UN Principles for Responsible Investment and UN Global Compact principles Government has produced comprehensive guide to CSR for companies and websites National and regional networks for CSR exist
Estonia	<ul style="list-style-type: none"> Sustainable Development Committee, advising Government on issues of sustainable development 	<ul style="list-style-type: none"> The country adopted a plan called Sustainable Estonia 21 which is the basis for its sustainable development strategy up to 2030 and includes actions for economic development with ecological balance, cohesive society and so on.
Finland	<ul style="list-style-type: none"> Ministry of Employment and Economy Finnish Business and Society (business network) 	<ul style="list-style-type: none"> ISO 9000 and 14000 standard series widely adopted Ministry of Employment and Economy has set up website on CSR National accreditation body exists for business certification
France	<ul style="list-style-type: none"> Ministry of Ecology, Energy, Sustainable Development and the Sea CSR Observatory (business network) 	<ul style="list-style-type: none"> <i>Nouvelle Regulations Economiques</i> law, passed in 2001, has helped encourage non-financial reporting In 2007, Government approved a national Action Plan for Sustainable Public Procurement French standardization body exists for business certification Socially responsible investment market has grown substantially France adopted National Sustainable Development Strategy 2009-2013
Germany	<ul style="list-style-type: none"> Ministry of Employment and Social Affairs German Sustainability Council 	<ul style="list-style-type: none"> In 2002, Germany adopted the first National Sustainability Strategy Government issued sustainability reporting recommendations for companies Chambers of Commerce and Industry provide consultations and advice to businesses

Concept Note on Government of Armenia Policy on CSR

Country	State or other structure(s)	Features of CSR
Greece	<ul style="list-style-type: none"> • Hellenic Network for CSR (business network) • Sustainable Development department of Federation of Greek Enterprises and Industries • Ministry of the Economy 	<ul style="list-style-type: none"> • Ministry of Environment has enacted plans on alternative energy and protecting water sources • No specific steps by Ministry of Economy.
Hungary	<ul style="list-style-type: none"> • CSR Director, Ministry of Economy and Transport • Hungarian PR Association • Hungarian Eco-Labeling organization 	<ul style="list-style-type: none"> • In 2006, Government decided to use EU guidelines to focus on CSR • Eco-Labeling done with supervision of Ministry for the Environment and Water • National Sustainable Development Strategy covers period up to 2025
Ireland	<ul style="list-style-type: none"> • Department of Enterprise, Trade and Employment 	<ul style="list-style-type: none"> • Credit Institutions Act of 2008 requires financial institutions supported by government to submit CSR reports • National Climate Change Plan issued for period 2007-2012 • In 2000, Government set up Business Access to State Information and Services (BASIS) website which includes some information on CSR issues
Italy	<ul style="list-style-type: none"> • Ministry of Labour and Social Affairs • Ministry for the Environment and Environmental Protection • Ministry of Industry and Trade 	<ul style="list-style-type: none"> • Italian CSR Multi-Stakeholder Forum and Italian Centre for SR (I-CSR) set up as two key multi-stakeholder initiatives by government • CSR awards and communication campaigns held • Green public procurement scheme implemented
Latvia	<ul style="list-style-type: none"> • Ministry of Welfare 	<ul style="list-style-type: none"> • Ministry website features section on CSR • UN Global Compact given government recognition and support
Lithuania	<ul style="list-style-type: none"> • Ministry of Social Security and Labor (MSSL) • Ministry of Environment Ministry of Economy Inter-agency CSR Coordination Commission led by MSSL • National Commission of Sustainable Development 	<ul style="list-style-type: none"> • Law drafted on Social Initiatives of Enterprises • Government provides detailed information on eco-labels, environmental management systems, health and safety standards etc. • Draft program prepared for the development of CSR (2009-2013) • Based on 2006-2008 CSR promotion program, Government printed manuals and held training programs on CSR, prepared a website and organized conferences

Concept Note on Government of Armenia Policy on CSR

Country	State or other structure(s)	Features of CSR
The Netherlands	<ul style="list-style-type: none"> • Ministry of Economic Affairs • Ministry of Agriculture, Nature and Food Quality • Ministry of Foreign Affairs 	<ul style="list-style-type: none"> • Government has separate website section on CSR • Government support to other organizations - CSR Netherlands, Chambers of Commerce • CSR integral part of trade missions abroad • Favorable tax policy to companies with active CSR
Norway	<ul style="list-style-type: none"> • Ministry of Foreign Affairs • Ministry of the Environment • Ministry of Labor and Social Affairs • Ministry of Trade and Industry 	<ul style="list-style-type: none"> • In 2007, Ministry of Foreign Affairs hosted conference on CSR, issues white paper and set CSR in the context of Norwegian global business presence • Ministry of Environment certified with ISO 14001 • Companies working in other countries are supported and monitored by Ministry of Foreign Affairs • Support for UN Global Compact from Ministry of Foreign Affairs
Poland	<ul style="list-style-type: none"> • Ministry of Labor and Social Policy • Ministry of Economy 	<ul style="list-style-type: none"> • In 2006, Ministry for Labor and Social Policy established Interdisciplinary Working Group for CSR • CSR Implementation Guide prepared by government, supported by World Bank
Portugal	<ul style="list-style-type: none"> • Portuguese Institute of Quality 	<ul style="list-style-type: none"> • Portuguese Institute of Quality produced NP 4469 - New Portuguese Standard on Social Responsibility
Romania	<ul style="list-style-type: none"> • Directorate for Social Responsibility (within Ministry of Labor, Family and Social Protection) 	<ul style="list-style-type: none"> • Newly formed Directorate responsible for government policy in area of CSR but no concrete action yet
Slovakia	<ul style="list-style-type: none"> • Ministry of Labor, Social Affairs and Family (MLSAF) • Ministry of Environment 	<ul style="list-style-type: none"> • Family-Friendly Employer Prize set up by MLSAF • Ministry of Environment awards eco-labels and supports ISO certification

Country	State or other structure(s)	Features of CSR
Spain	<ul style="list-style-type: none"> National Council for Corporate Responsibility (NCCR) 	<ul style="list-style-type: none"> NCCR established in 2008 with following priority areas – diversity management and social cohesion, contribution to a productive economy, transparency and communication, socially responsible investment and integration of CSR in education Legislation on responsible public procurement exists
Turkey	<ul style="list-style-type: none"> Ministry of Trade and Industry Ministry of Environment and Forestry Ministry of Labor and Social Security Capital Markets Board 	<ul style="list-style-type: none"> Public procurement law adopted in 2002 Renewable energy law adopted in 2005 Tax exemption incentives adopted led to support of corporations to government education schemes
United Kingdom	<ul style="list-style-type: none"> Department for Business, Innovation and Skills (former government had Minister for Corporate Responsibility) Department of Environment, Food and Rural Affairs (DEFRA) 	<ul style="list-style-type: none"> Sustainable Procurement Action Plan produced in 2007 ISO 14001 supported and ISO 26000 series to be introduced in 2010 CSR awards scheme International Strategic Framework on Corporate Social Responsibility published in 2005

Sources for Appendix 1

- *Baseline Study On CSR Practices In The New EU Member States And Candidate Countries*, UNDP and European Union, June 2007
- *The Changing Role of Government in Corporate Responsibility*, Buckland, Tencati and Midttun, 2006
- *A Guide to CSR in Europe*, CSR Europe 2009
- *Turkey Corporate Social Responsibility Baseline Report*, UNDP, CSR Association, European Commission, 2008
- *Taking Sustainability Further, European Commission: Your Europe websites for countries*, (http://ec.europa.eu/youreurope/business/doing-business-responsibly/taking-sustainability-further/index_en.htm) accessed 30 May 2010

Appendix 2 – The Ten Principles of the UN Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.