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Business Voice for Sustainable Development in Croatia

Croatian Business Council for Sustainable Development (HR BCSD) is an organisation founded, governed and financed by leading business companies from Croatia. The Council advocates sustainable development in the business sector and promotes business role in sustainable development. Its actual 26 member-founders are expected to act as front runners giving examples, finding solutions, setting patterns and testing new models.

The HR BCSD belongs to the Global Network of the World Business Council for Sustainable Development (WBCSD) consisting of national and regional business councils and partner organisations from all parts of the globe. The WBCSD is a coalition of companies, mainly multinationals, created at the eve of the UN Conference on Environment and Development in Rio de Janeiro in 1992. Nowadays it has more than 160 members. Four members are from the CEE Region – two Russians and two Croatians. The common member - companies - Pliva and Podravka, strengthen the link of two organisations.

The HR BCSD has been founded in 1997 in a period when Croatian business community was facing the severe consequences of the war including destroyed economy and loss of market together with the challenge of privatisation and transition. Nowadays twenty-six founding members have among them experience, know-how, and capacities to pursue solutions that will contribute to the economic progress, social welfare, and environmental balance. These are mostly large companies, representatives of big industry and services. Few smaller companies that have practical or advisory role in the field of the environmental protection joined the membership as well. An experience-based precondition for a good BCSD member is company's successful business performance. The social and environmental responsibility will not be considered as a cost only by a successful and long-sighted management. In such companies, accountability is implanted in the vision of long-term prosperity and welfare for everyone.

Activities and achievements

The HR BCSD is not an advisory centre but rather a focal point of know-how transfer, exchange of experience and learning from proven cases of good practice. The atmosphere of mutual encouragement, motivation and competition among members is of utmost importance. The good business practices are the most valuable contributions to be shared throughout the business community.

The HR BCSD looks for and selects possible orientation and tools for its activities from the patterns offered by the WBCSD. The Council encourages member-founders to practice new approaches and takes care of promoting their successful undertakings. The HR BCSD does not advocate uniform solutions and rigid patterns of business behaviour. Most of the founders, particularly the larger companies, develop their own models. The HR BCSD will take care of promotion, expert discussion and exchange.

The practical problems in day-to-day business operations relating to the environment are discussed at the workshops. Targets are narrowly focused. The problem is to be enlightened from different points of view. Participants are expected to provide solution through in depth expert discussion. Proposals and recommendations aiming to inform the business community and/or to influence the decision-making are a usual output of the workshops.

Waste management is a regular issue on the HR BCSD's agenda. The open issues are those of closing the recoverable/reusable waste loop, provide reuse of waste in production, encouraging new approaches, directing research and creating new waste-related activities. Regardless of non-stimulating legal and economic framework and frequent lack of understanding from the general public, some HR BCSD founders have been persistently linking their business activities with the common interest for reduction, reuse and/or appropriate handling of wastes. Food and drink industry and bottlers are looking for best solutions in managing packaging wastes. Still, a continual first task of member-companies is to improve their internal waste management cycles in line with legal requirements. They are invited to provide monitoring and control resulting in integral evidence. Such an approach would support a number of justified comments and recommendations related to the environmental regulations from business sector to the legislator. HR BCSD has been promoting cases of efficient and responsible waste management in the business sector.

In 2000 the HR BCSD organised a campaign for change in billing for the municipal waste in the City of Zagreb. In many Croatian towns charge for collection and disposal of municipal waste is determined by the size of the occupancy area measured in square meters, to companies as well as to households. Such calculation contradicts the statutory objective of waste reduction and discourages the efforts of good companies that manage their wastes appropriately. Company evidences clearly indicated that the municipal waste management was the most expensive for those with highest waste reduction rates as they additionally invested in equipment, labour, staff training and separate collecting of useful wastes. No significant reduction in municipal waste generation should be expected as long as the waste collecting account does not reflect the quantity of wastes. Member-company leaders supported the campaign by their letters to the authorities and a round table was organised jointly with the Croatian Chamber of Commerce and Association of Environmental Journalists. Since 2001 more and more companies from Zagreb are applying the new billing scheme based on number of waste -containers that are being taken over to the disposal-site of the City.

Improvement of implementation of environmental legislation in business sector is a permanent target. The HR BCSD founders are convinced that many problems encountered in enforcement of legislation could be avoided by participation of the business community in its drafting. When it comes to enforcement, the business is faced with slow response of the administration to their well-grounded comments. The experience confirms that the possibility to modify a regulation is extremely limited and uncertain, regardless of the reasons for change and the fact that a regulation might be improved through a simple procedure. Compliance with the legislation is part of the strategy adopted by the developed businesses that reluctantly accept the fact that sometimes, regardless of their best efforts, they cannot implement unreasonable, non-transparent or for some other reason non-implementable provisions, and still cannot influence their change. In spite of a few encouraging signs, participation of business in the process of development of laws and regulation remains formal, restricted and without effect. This dedication for opening a dialogue with the legislator since the early stage of preparing a piece of legislation is shared with other business organisations – Croatian Employers' organisation and the Chamber of Commerce and remains highly positioned on the agenda. The examples of good practice of companies in meeting legal requirements are published on the web-site of the HR BCSD. There are ideas to strengthening the discussion and commenting on the laws and regulations proposals throughout the business community by means of new information methods and tools.

Eco-efficiency, a concept WBCSD is rightly proud of, is not unknown to the Croatian business. The management need not be specially persuaded that less (less raw material, energy, waste, pollution) is more (more output, higher revenues, better quality of living). Successful companies from the production sector have undertaken larger or smaller investments that paid off and started bringing benefits, not only profit but also improved environmental effects and general welfare. The examples of eco-efficiency of few member-companies have also been recognised abroad. The effects would be much higher would the Croatian economic and political framework support and encourage eco-efficient actions by business, and the media and general public show more interest in them. Company people often feel alone and disappointed in their positive endeavours.

Transparency and reporting is getting on importance. HR BCSD promotes transparency and reporting by business as valuable components of a company's own reputation. The number of reporting member-founders is on increase. First place in Croatia belongs to LURA that is regularly publishing its annual Environmental Report since 1999. Coca-Cola Beverages Croatia published its first Environmental Protection Report in 2002. In the same year PLIVA published the first sustainable development report in Croatia titled Sustainable Growth. Chapters on environment, sustainable development and social responsibility are taking ever more space in the annual business reports of other founders as well as on their web-pages. Two member-companies that did not produce environmental or sustainability report so far announced their first reports in 2003.

Social responsibility of business is becoming a central topic for the advanced members of the business community encouraged by the outputs of Johannesburg. The 2003 Work Plan of the HR BCSD includes the first report on this issue to be prepared by the end of 2003. Increased interest of the members, their individual undertakings and achievements, the reflections of public and media and need for more specific definitions and understanding that shed the light on this issue under the Croatian circumstances - all these open a broad field for activities in the years to come.

Improving the framework

The another part of the HR BCSD's agenda is dealing with the framework conditions. Some of the mentioned activities, such as implementation of environmental laws and regulations in business sector, connect both groups.

The central government still is the most powerful force in the Croatian society. Central authorities are not used to agreeing on development and management issues with representatives of other interested groups, and the business sector, organisations of the civil society and insufficiently developed institutions of local self-government are not used to the dialogue with the central authorities on an equal footing – the weaknesses are common to all the groups. The need for a productive partnership for sustainable development between government, business and civil society is not yet recognised by all the potential partners.

The early orientation of the new Croatian State towards the sustainable development in 1992 was not followed by a systematic implementation. Post-war economic recovery, transition and privatisation process, burden of reconstruction and a costly public sector imposed other development priorities. There is an evident need for a long-term consistent development strategy.

The role of regulations is over-emphasised (domination of the *Command and control* approach), accompanied by a low level of feasibility and the shortage of mechanisms to monitor, support and improve enforcement of regulations.

Some less than 50% of economy is being privatised. The inherited patterns of the economy sector dependence on the State are not overcome yet. Subsidies are granted to certain activities and companies, measures of intervention are more frequently passed than long-term development orientations and the economic framework is not always functioning in line with the concept of sustainable development.

Leading companies feel that the domestic political, legislative, financial and tax-related framework does not support their endeavours towards sustainability. Still, there are noticeable changes among them indicating the growth of interest in the sustainable development, including the responsibility towards the environment, community and general welfare and progress. These changes result from the adaptability of successful management, acceptance of new knowledge and learning "as one goes along". Encouragements are primarily external – market competition, foreign investments and approaching the EU. Foundation of the HR BCSD is a clear evidence of changes.

The Croatian business community advocates a careful approaching the EU with a selective step-by-step adoption of approaches, procedures and provisions. They argue for flexible

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agreements and soft legal instruments. There is a general concern in the economy sector that the government, hardly influenced by business voice, might decide on "copying" and immediately applying of stringent environmental legislation that will lead to a poor implementation.

Growing public concern for potential risks and consequences that the new investments might cause to the environment indicates the lack of appropriate mechanisms for dealing with such issues. It is in the interest of business to act as active participant in this debate thus contributing to developing the culture of a productive social dialogue. The ability to interact with stakeholders, decision-makers and civil organisations on the local level is a challenge to be transformed into a new value of a company. The HR BCSD represents the interests of business in the domain of environmental and social relations that could hardly be advocated individually.

The organisation advocates open complementary co-operation with other social groups towards fulfilling of the common target - sustainable development. A particular attention is being given to encouraging the social dialogue on sustainability. The HR BCSD's annual meetings and other important gatherings have been organised as open forums on sustainable development. The HR BCSD has been collaborating with other economic organisations, state and local authorities, civil society institutions, non-governmental organisations, and numerous individual experts both in Croatia and abroad.

Bridging the low level of traditional links and collaboration among businesses, HR BCSD is trying to strengthen business inter-links both among companies and among business organisations. Building new partnerships with the civil sector has been recognised as a potential strength to be carefully cultivated. Dialogue on sustainable development with the government remains the most challenging issue on the agenda dealing with the framework conditions.

International collaboration

Member-companies of the HR BCSD feel that many issues from their agenda for sustainable development might be successfully shared with companies from the CEE Region. There are many similarities in the framework conditions, including business position, that strongly influence their path toward sustainability. Efficient regional interaction between companies including experience sharing and creating common views would not only enable individual improvements but also make the business voice from the CEE countries better heard and understood in other parts of the World.

On that ground, the HR BCSD has initiated annual business gatherings and acts as their permanent co-organiser. The first meeting under the title of *Regional Business Partnerships for Sustainable Development* was held in 2000 at the Zagreb Fair. In 2001, the Hungarian Business Leaders Forum in Budapest hosted the meeting. The 2002 meeting was held at Vienna, hosted by the Austrian BCSD and the central topic was corporate social responsibility.

Privredni vjesnik (Economic Journal), an independent editor specialised in business and finance and a HR BCSD member, prepares since 2000 an annual publication on sustainable development in collaboration with the HR BCSD. It is bilingual – Croatian and English, aiming to inform its readers on issues related to sustainable development and on the progress the Croatian business is making on their path towards sustainability.