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# Assessing Corporate Social Responsibility in Moldova

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***Disclaimer:*** The authors have conducted the research for this report in good faith and bear full responsibility for all statements and conclusions herein. These are not to be attributed to the UNDP, to companies or other entities or persons participating in the research.

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## **List of abbreviations and acronyms**

CSR – Corporate Social Responsibility;

DFID – Department for International Development;

EG - EXPERT-GRUP;

EWMI – East-West Management Institute;

FIA – Foreign Investor Associations;

GDP – Gross Domestic Product;

GRI – Global Reporting Initiative;

Ltd – limited liability company;

NBS –National Bureau for Statistics;

NGO –nongovernmental organization;

PFAP – Private Farmers Assistance Program;

SME – Small and medium enterprise;

SRISP - Support to the Rural Investment Service Project;

UNDP – United Nations Development Program;

USAID – United States Agency for International Development;

WB – World Bank;

WBCSD- World Business Council for Sustainable Development;

## Summary

This report examines the issue of Corporate Social Responsibility (CSR) in Moldova. It finds that development of CSR practices and CSR reporting in Moldova is at an early stage and is driven by a small number of medium to large foreign and domestic companies. CSR practice and reporting is restricted to several sectors and does not differ greatly from CSR in other countries in the region.

Analysis shows that a number of historical, geographical and cultural factors influence the ways business is done in Moldova. The general economic and political transitions still weigh heavily on private companies. In the period of “wild business” of the 1990s, very few companies managed to be socially responsible. But as the economic situation improves, more companies are trying to become more socially responsible.

While companies operating in Moldova are involved in a number of social actions, they do not report adequately to the public on these activities. This is not a surprise as demand for such information in Moldovan society is generally very low. It is worth mentioning that even nongovernmental organizations active in a number of CSR-related areas do not publish their financial and activity reports. As a result, their demands for more transparency from companies in the private sector often appear hypocritical and unconvincing.

Moldovan companies do have a sense of responsibility for what they do. Their social responsibility initiatives span a wide area ranging from internal social responsibility vis-a-vis employees and shareholders to investing in the community. But most frequently these initiatives are distant from what the companies see as their core business. At societal level, their initiatives are too disconnected and, importantly, they are not reported adequately to the general public.

Social responsibility of Moldovan companies stems from many sources. Altruistic goals are widely shared but a number of companies combine altruistic reasons for pursuing CSR with a strategic approach to CSR. Many develop CSR programs in response to pressure from both internal (mainly labour) and external environments (mainly government). But CSR in Moldova is diluted significantly by mutual suspicion among the government, civil society organizations and the private corporate sector. Frictions, lack of trust and misunderstandings limit severely open and sincere dialogue, complicating concerted joint efforts in this area.

According to many interviewed experts and companies, the government does not perceive corporate social responsibility as a benevolent contribution to general development agenda but rather as a form of payment for the fact the companies “are socially tolerated”. This report does not advocate the transfer of governmental functions to private entities. CSR does have limits and projects in this area work best when they do not stray too far from companies' core business. This report does however conclude that private companies need better understanding of CSR and should play a stronger role in the general development of the country. Companies should understand that their livelihood depends heavily on wider development in the country as a whole and contributing to this development is an intelligent way for them to invest in their own futures.

## Methodology

The methodology used in conducting this research consisted of a number of quantitative and qualitative tools. Basic statistical data and explanations were provided by the National Bureau of Statistics and by the National Tax Office. This research draws also on the relevant findings of other research conducted in Moldova and abroad. We relied on these resources mostly while preparing the first chapter of the current report which introduces the CSR issue to the Moldovan public. The team of authors also used annual reports and other documents published by Moldovan companies (not limited to those surveyed).

Some data were collected using a series of structured and semi-structured interviews. We surveyed 11 companies working in industry, 14 companies from the services and trade sector and five agricultural companies. The companies were not selected as being representative of the Moldovan private sector as a whole. On the contrary, we approached those businesses that were generally known to be “socially active” or were willing to offer important information on fundamental factors influencing CSR practice in Moldova. We included both domestic and foreign companies, large and small entities, operating internationally, nationally or locally.

A focus-group involving 7 participants was conducted. The focus-group was useful for perceiving the image the grass-root level has regarding Moldovan businesses.

Subsequently we held a number of in-depth interviews with representatives of trade-unions, politicians, members of consumer rights associations, mass media, environmental organizations, SME associations and the government. The latter series of interviews provided more focused and detailed information based on practical experience of the respondents dealing with some CSR-related areas as part of their professional duties.

Also, we have discussed with a number of key-informants which are considered to be experts in Moldovan business realities. Two structured interviews were conducted with representatives of international financial organizations, two interviews with representatives of bilateral development agencies, and two with the business analysts. We have also used structured questionnaires in order to discuss the issue with three members of the Moldovan parliament. Interviewing such a large number of private and public people and non-business entities was crucial for finding out what are the social perceptions of those who seek greater social responsibility from companies operating in Moldova. All interviews of companies and experts are confidential, as requested by most of the participants.

The team undertook a content-analysis of the national media in September-October 2005. The following publications were analyzed: Flux, Logos-Press, Săptămâna, Moldova Suverană, Timpul, Ziarul de Garda and Jurnal de Chișinău. The objective was to gain additional insights into the “image” of corporate social responsibility and to understand how this image is created and promoted.

Finally, the process of collecting information related to CSR within this research and the difficulties/opportunities it involved was in itself a litmus test for the private companies’ transparency and public accountability. Indeed transparency and public accountability can be seen as indicators of companies social responsibility as well.

## 1. Introduction to CSR

*The first chapter introduces the modern concept of CSR. The main arguments pro et contra CSR are discussed. This part presents a brief overview of the historical evolution of social responsibility and makes a synopsis of the growing CSR culture in the region.*

### Defining CSR

Corporate Social Responsibility (CSR) has a relatively short history dating back to the 1980s. Since then, it has remained a vague concept. CSR gave rise to various interpretations not only among business analysts but also among the international institutions campaigning worldwide for the integration of the CSR principles in business conduct and among the companies practising CSR<sup>1</sup>. Practical measurement of CSR is extremely difficult because it encompasses a range of dissimilar features such as:

- Incorporation of social characteristics into products, technologies and business processes;
- Adoption of advanced human resource management practices;
- Achievement of a higher degree of environmental performance by reducing emissions and other negative impacts;
- Contribution to community development;
- Promotion of an advanced business culture;
- Promotion of CSR principles down and up supply chains;
- Establishment of probity and integrity as corporate values helping eradicate corruption;
- Addressing the concerns of small shareholders;
- Helping advance the basic human rights (such as equal employment opportunities or abolishing child labour);

It is clear that “social responsibility” implies value judgements; therefore it implies partisanship and is largely influenced by the context. Not surprisingly, there is a wide variety of definitions of CSR and academic debates on the content of CSR itself remain lively. Players in the field of CSR have different understandings on what CSR is about and the ways it should be pursued. Even this research undertaken in Moldova, where the modern concept of the CSR is not yet widespread, has shown a diversity of opinions of what corporate social responsibility should be and how it should be advanced by companies and their stakeholders. However, what is common for most of the authors and companies with social responsibility is the fact that CSR is not simply about giving money but rather is a way of doing business, a way which is embedded in a company’s culture throughout all operations and at all times.

A recent definition was provided by the World Business Council for Sustainable Development (WBCSD). According to WBCSD, CSR is the “commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and the society at large to improve their quality of life” [WBCSD].

An example of a company implementing CSR in its business is KPMG. It defines its corporate social responsibility as “understanding and managing our community and environmental performance alongside our financial performance. Through this we believe

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<sup>1</sup> Probably the most striking is the fact that even within the UN there are two different agendas pertaining to CSR. There is the well known Global Compact and the less known UN Human Rights Norms for Business. For an introduction to the UN Human Rights Norms for Business see Warhurst. 2004;

we can help increase the value we add to society, while reducing our negative impacts”<sup>2</sup>. As part of its CSR policy the TeliaSonera group “wishes to support sustainable development and be a good corporate citizen”<sup>3</sup>. The PepsiCo social responsibility is to “continually improve all aspects of the world in which we operate – environment, social, economic – creating a better tomorrow than today”<sup>4</sup>. The company focuses on five broad areas defined as critical for its success: corporate values, diversity and inclusion, health and well-being, water, packaging. For Vodafone Greece “CSR concerns the management of a company, how it becomes productive and how it behaves towards all stakeholders, including society and environment. A responsible organization aims at its profitable growth while managing the way its operation affects the whole on an environmental, social, economic and moral level and acting accordingly”<sup>5</sup>.

The British Government talks about CSR as being “about how business takes account of its economic, social and environmental impacts in the way it operates – maximizing the benefits and minimizing the downsides”.<sup>6</sup> Some scholars define CSR as “situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interest of the firm and that which is required by law”.<sup>7</sup>

Actions the companies accomplish under CSR agenda should be something more than the legal requirements and fiscal duties in order to qualify as social responsibility. Indeed, observing the law is in first instance a universal obligation of the companies. Individual corporations or groups of corporations may elaborate their own principles of CSR like the British Win with Integrity Framework or may adhere to some international sets of rules of conduit like the UN Global Compact (see box 1). There is a growing trend worldwide to adhere to CSR reporting and business conduit standards which are acknowledged internationally.

### **Box 1. What it is the UN Global Compact about?**

The UN Global Compact is a set of principles, an initiative that supports CSR all over the world and stresses the importance of the local networks of NGOs, private companies and government in dealing with social issues. It represents an international network of national networks and helps integrate like-minded companies, individuals and organisations committed to promoting socially responsible corporate citizenship. There are presently 2,400 participants worldwide and nearly 50 country networks. In Moldova there is not yet any Global Compact network and as our research suggest the Compact is very little known and mainly by companies with foreign ownership.

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards and the environment. Periodically the companies have to publish reports highlighting how these companies implement the principles in their practical activity. The principles are as follows:

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<sup>2</sup> KPMG UK Corporate Social Responsibility, October 2003, “Corporate responsibility at a glance”, [http://www.kpmg.co.uk/about/csr\\_report/index.cfm](http://www.kpmg.co.uk/about/csr_report/index.cfm);

<sup>3</sup> The TeliaSonera 2004 Annual Report, posted on the company’s website [www.teliasonera.com](http://www.teliasonera.com);

<sup>4</sup> The PepsiCo 2004 Annual Report “Sustainable Advantage”, posted on the company’s website [www.pepsico.com](http://www.pepsico.com);

<sup>5</sup> The Vodafone Greece Corporate Responsibility Report April 2004 – March 2005, available at [www.vodafone.gr/About\\_Vodafone/Corporate\\_social\\_responsibility](http://www.vodafone.gr/About_Vodafone/Corporate_social_responsibility);

<sup>6</sup> See the British Government view on the issue of CSR in “Corporate Social Responsibility: A Government update”, available at [www.csr.gov.uk](http://www.csr.gov.uk);

<sup>7</sup> McWilliams and others, 2005;

## **Human Rights**

*Principle 1 Support and respect the protection of internationally proclaimed human rights; and*

*Principle 2 Businesses should make sure that they are not complicit in human rights abuses.*

## **Labour**

*Principle 3 Uphold the freedom of association and the effective recognition of the right to collective bargaining;*

*Principle 4 Eliminate all forms of forced and compulsory labour;*

*Principle 5 Pursue effective abolition of child labour; and*

*Principle 6 Aim at 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 Business should work against corruption in all its forms, including extortion and bribery.*

For more information about the UN Global Compact see [www.unglobalcompact.org](http://www.unglobalcompact.org)

As defined by a Moldovan expert, “CSR is an act by which companies go beyond complying with the existing imposed pecuniary obligations. They are motivated to do so by adherence to certain corporate values and attempt to demonstrate that there are certain social issues they can contribute to solving in a very efficient manner. Companies believe that assuming corporate social responsibility they not only display their efficiency in solving social problems, but also create a positive image of good citizenship and eventually invest in their own future by educating a generation of customers”.

Summing up, CSR is ultimately a corporate value issue encompassing business ethics, consumer rights, economic and social justice, environmental-friendly technologies, labour justice, and transparent relations with public officials, community investment, and integrity. Beyond academic debates, most of the definitions tend to agree on the following: *CSR is a culture of conducting business which takes account of its societal impact and tries to maximize the positive externalities and minimize the negative ones.*

## **Debates on CSR**

While being increasingly accepted as a norm of modern business culture, CSR has gained not only supporters but also fierce opponents. Frequently CSR is perceived to be just another “buzzword” of the modern world. Accordingly, CSR reflects a fashion void of any practical meaning rather than true business mores. Also, from the point of view of CSR critics CSR responds to pressures imposed from outside rather than to inner necessities of the companies.

Obviously, the opponents of CSR believe that a number of standards like ordinary decency and honesty should be expected from any company. But no “community development”, “social investment”, “good corporate citizenship” and other actions alike should be expected from firms set up to pursue purely commercial goals. Alternatively, it may be expected that the companies will address these questions only if there is a strong business case for doing this.

The most widely used argument against CSR is that the companies are in the end owned by shareholders rather than “stakeholders” and the money used for what is claimed to be “CSR” is actually stolen from its ultimate owners<sup>8</sup>. CSR opponents argue that if the individual shareholders chose to they would give money to charities from the dividends they earn annually. According to this position, a company's first responsibility is to its shareholders and not to ill-defined “stakeholders”. The companies should not be required to do anything more than simply paying taxes honestly and observing the law and regulations. As our research suggest, this point of view is widely shared by many Moldovan companies too.

The counter-argument is that most of the companies build CSR in their corporate strategies which are in the end approved by the shareholders or boards of directors. Many companies have distinct budget lines for their social actions which are acknowledged by the owners. Therefore, CSR proponents argue that there is always legitimacy in using the shareholders money for some social, environmental or ethical ends.

Another argument which goes against CSR is that solely the governments have the ultimate social responsibility which should be implemented by using wisely the taxes that private companies pay. Making social policy and achieving social goals is the responsibility of government and there no significant role has to be played by private companies. In Moldova this issue is particularly sensitive as many companies perceive the government as simply compelling private entities to bear many of government's social responsibilities.

The opponents of CSR argue that business traditionally has been beyond the scope of social morality and public policy. It would be naïve to ask adherence to public interests and moral ends from those trained to play business hardball. The argument stems from “real world” business practices: the most effective and respected business leaders don't waste time with CSR and none of them has achieved current profitability by “playing nice” and paying attention to stakeholders' claims.

Nonetheless, CSR becomes a growing movement across the world and it is particularly widespread in industrialized countries where the “harshest” companies are located. Even companies known for being ruthless in the past with their employees, competitors or environment are today becoming more socially responsible. Such a trend is perceived mainly in less competitive markets, where companies try to achieve strategic advantages by alluring CSR receptive customers. A distinction therefore needs to be made between strategically-inspired “CSR” from the altruistically-motivated one. Also, efforts should be made to delineate where CSR ends and corporate PR begins.

### History of the issue

In fact, there is no set date when CSR actually appeared or a movement to promote it started. However, there is some consensus that first institutional effort to promote CSR can be dated back to 1983/4 when the Business in Community initiative emerged. At that time, the first attempts to assess the role of business in community development were made and the first efforts were applied to raising social accountability of businesses.

Throughout the last two decades CSR has evolved from a somewhat odd concept, frowned upon by the business executives to a sort of mainstream thinking and activity both in business world and in the society – “...a constructive offer in the negotiation and planning

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<sup>8</sup> For a good discussion of the CSR-related *pros* and *cons* see the CSR resources web-portal <http://www.mallenbaker.net/csr/CSRfiles.html>;

of solutions to a number of societal problems”<sup>9</sup>. No doubt, several factors fostered rise of the CSR, such as: the IT revolution, the process of globalization, strengthening of the 3<sup>rd</sup> sector, the rise of consumer society and entrenchment of public distrust towards free market institutions.<sup>10</sup>

Thus last years were marked by a series of CSR initiatives, such as: UN Global Compact (2000)<sup>11</sup> - within which companies pledge to integrate responsibility in such areas as human and labour rights, and environment, into their core business operations – and European Multi Stakeholder Forum (2002), aimed to develop a common understanding of CSR by businesses, NGOs, trade unions and consumers, and to discuss activities on the ground.

### **Box 2. Winning with integrity – principles of the UK Business in the Community**

*Business in the Community* is a unique movement in the UK of 700 member companies. Its purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

Together the *Business in the Community* member companies employ over 15.7 million people across 200 countries. In the UK, the movement members employ over 1 in 5 of the private sector workforce.

The members commit to:

- *Integrate responsible business practice throughout their business;*
- *Impact through collaborative action to tackle disadvantage;*
- *Inspire, innovate and lead by sharing learning and experience;*

*Business in the Community* works globally to support its members through its partnership with the International Business Leaders Forum. In Europe the *Business in the Community* is the national partner of CSR Europe.

In UK the *Business in the Community* movement coordinates the All Party Group on Corporate Social Responsibility which has 131 members across both the Houses of Parliament.

For the *Business in the Community* members the responsible business practice must rest in principles integrated into the business and managed throughout its operations. *Business in the Community* has set out its principles for responsible business practice as

- *To treat employees fairly and equitably*
- *To operate ethically and with integrity*
- *To respect basic human rights*
- *To sustain the environment for future generations*

These principles underpin all *Business in the Community*'s corporate responsibility initiatives.

Further information about the *Business in the Community* can be found at [www.bitc.org.uk](http://www.bitc.org.uk)

With all these positive developments, there are still dark spots and the years ahead will show to what extent CSR will become ubiquitous and an efficient tool to tackle various social issues faced by societies across the globe.

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<sup>9</sup> Campaign Report on European CSR Excellence, 2002-2003.

<sup>10</sup> For a more detailed account of this issue, see for instance: An Overview of Corporate Social Responsibility in Croatia, 2004.

<sup>11</sup> For more information on this initiative visit: [www.unglobalcompact.org](http://www.unglobalcompact.org)

## CSR in transition economies

CSR is quite a new concept in countries of central and eastern Europe (CEE) and the former Soviet Union (FSU). Certainly, at the beginning of the transition in these countries it seemed strange to new businessmen that they had to take on a series of social issues, complementing in some respect resources and activities of the central or local governments. However, as time has passed it has become clear that businesses have an important role in finding solutions for the social issues their societies have been facing.

Predictably, foreign companies pioneered CSR activities in countries of the region, consequently moving from corporate philanthropy to community development projects or educational and training activities.<sup>12</sup> This trend is present in Moldova too with a number of foreign companies being the main domestic actors championing for the CSR and inspiring other domestic companies to do the same.

Moldova's neighbours can boast a series of success stories. For example, in Romania such companies as Coca-Cola, Orange, and Henkel are leaders of the CSR "movement" and are contributing both with charity acts (helping victims of natural disasters) and training for students and educational projects. For many companies, publishing of CSR reports is a habitual practice. At the same time, CSR is indeed becoming an increasingly important issue on the public debate agenda. For example, in March 2004 the American Chamber of Commerce and Agency for Community Development organized a national conference with participation of businesses and NGOs. The conference concluded that social responsibility may serve development of the business sector as its interests shift from short-term profit goals to those of corporate development in medium term.<sup>13</sup>

In Russia there may be fewer successes in CSR development. However, there too a growing understanding of increased role companies may play in social development is emerging. Thus, "The State and Socially Responsible Business" conference took place recently in Moscow. The conference focused on ways to build private-public partnerships with aim to solve acute social problems.

In Ukraine the International Financial Corporation developed an agreement called "National Standards on Corporate Governance", which was adopted by the Securities and Stock Market State Commission in December 2003, although it's recognized that there is a long way to go for Ukrainian companies to become "good corporate citizens".<sup>14</sup> Bearing in mind these relative successes of our neighbours, it would be a pity to see Moldova trailing behind this regional "CSR train" in the following years.

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<sup>12</sup> Campaign Report on European CSR Excellence, 2002-2003.

<sup>13</sup> See ARC press-release on CSR Conference, 2004.

<sup>14</sup> Special Report: Corporate ethics and governance in Russia and central Europe, Ethical Corporation, June 2005.

## **2. CSR in Moldova: assessment of the macro framework**

*This chapter examines the so-called macro-factors influencing the social responsibility of companies operating in Moldova. Such issues as influence of historical memory and culture, impact of geography, transition-CSR connections and role of policy environment, credibility and corporate integrity are discussed. The chapter also analyzes the structure of the Moldovan private sector and its economic performance which are both determinants to CSR.*

### **Legacy of history**

Experts maintain that both geography and history have a great explanatory power for the social responsibility of Moldovan companies. Moldova has a tumultuous history involving both traumatizing periods and economic and social progresses imprinted in the collective memory. Analysis of the Soviet period is the most relevant to our report as many factors influencing the way business is done in Moldova today are rooted in institutions and attitudes stemming from that time. Business analysts maintain that many local representatives of the Moldovan business community have been managing their companies and selling their products based on the managerial skills they learned while being “red directors”. (Though one should acknowledge that the number of Moldovan managers implementing modern approaches to business is rising steadily and this is a CSR-encouraging trend).

On the positive side of historical balance, Moldova, as a Soviet republic, received substantial investment from the “centre”. A sophisticated and universal system of social guarantees and state-support schemes was designed to address social needs. There was no open unemployment while wages were not strictly correlated with labour productivity. The labour-safety standards were generally observed. Workers enjoyed not only stable wages but also a number of non-monetary rewards. Our interviews find that elements of high social responsibility towards employees are still implemented by some Moldovan companies and most of the large foreign companies. However, these cases seem to be unique as sociological surveys suggest that most of the employees in Moldova do not have even a satisfactory basic wage leaving apart other “bonuses”<sup>15</sup>.

On the negative side there are depleted national human resources, a result of forced emigration, political repressions, famine and deportations. Wealthy peasantry, bourgeois, merchants have been almost destroyed as social classes. This has influenced the attitudes towards private entrepreneurship which almost vanished. “Exhibiting” individual initiative was not only administratively punishable but also socially reproved.

A highly centralized public administration and economic management were imposed instead. Moldovan inefficient agriculture and industry were heavily subsidized from the central budget. This Soviet-type governance created a system of distorted incentives under which companies were tempted to obtain “quantities” rather than profits.

In the pre-transition period many state-owned companies were responsible for large social infrastructures. A typical rural community in Moldova was likely to depend more on the director of local collective farm rather than on local authorities<sup>16</sup>. It was a politically commendable practice for an enterprise to maximize its social presence. But the inadvertent result of this system was educating an acute sense of paternalist expectations to a significant part of the population. As our research tells, this paternalistic system of attitudes is still common in Moldovan society.

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<sup>15</sup> For instance, as indicated in the Social Opinion Barometer conducted by the Institute for Public Policy in February 2005 more than three thirds of the Moldovan population is not satisfied by the level of the salary it receives.

<sup>16</sup> Even nowadays in many rural communities citizens frequently try to approach the leaders of large agricultural companies with some problems before going to the local public administration.

## Impact of geography

Impact of geography on the conduct of business also seems to be significant. Moldova traditionally has been an agricultural country with a major rural population (about 60%) and it remains rurally the most densely populated European country. A large proportion of agricultural activities are being done for the mere subsistence of the rural households and obviously there is little if any room available for “CSR”.

As for business-oriented entities, the uncertain nature of the agricultural activity and unpredictable rewards from this sector have set very rigid constraints to social responsibility of the operating companies. In fact, as interviewed farmers told us, they spend most of the time struggling to survive economically rather than thinking of integrating elements of social responsibility in their business. For most of them, social responsibility means “helping your fellow” and observing other general human values. But even under these difficult circumstances many agricultural companies play central roles in the strategies of local development in a large number of rural communities.

## A cultural melting pot

Moldova is located in a region characterized by many cultural influences which are apparent also in patterns of doing business. Purely Moldovan elements of business culture mix with patterns of Russian, Romanian and what may be called “Balkan” business cultures.

An interesting feature found in all these business cultures is the apparent religious concern of the businessmen. Not surprisingly, the business community in Moldova has sponsored reconstruction of many churches and monasteries. However, one should bear in mind that the Orthodox Church in Moldova is not really separated from the state as it should be according to Constitution. The Church has a number of tools for exerting a certain authority over the government which subsequently influences the donating strategies of the private commercial entities.

Moldovan society is a hierarchical one and is governed by a great deal of bureaucracy. Even in the private companies the decision making is much centralised and superiors are ultimately responsible for the decision. As the country is small and mostly rural, the kinship relations display a high density and represent permanent sources of corruption. As our interviewees and other researches suggest, personal relations are frequently much more important than the formal side of the business relationship. Personal connections are important not only for a businessman dealing with public institutions but even among private entities.

The business community is influenced also by Western business culture endorsed by European and American companies investing in Moldova and most of them are rather successful in CSR. However, not all foreign companies are equally successful in implementing the same standards of CSR as in their parent country. One part of explanation may be the fact that there is little demand for CSR from the part of the Moldovan government and civil society. (As many Moldovan businessmen assert, the “CSR” the government requires from companies is a racket rather than demand). Another argument coming from the local business observers is that many affiliates coming to Moldova try to reap as many profits as possible and as rapidly as possible and overlook the ethics of the parent corporations.

As most of the social surveys show in Moldovan society trust in other people is weak<sup>17</sup>. This weakness poses severe limits to CSR because one cannot imagine building partnerships with untrustworthy external stakeholders. Confidence in basic public institutions is very much reduced too. Courts are among the institutions that the general public and business representatives trust the least. The judicial system is perceived as inefficient and opaque and the public believe that there are no mechanisms for monitoring the objectivity and lack

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<sup>17</sup> Barometer of Social Opinion, 2005;

of bias of the judges<sup>18</sup>. This is really a hindrance as in most of the countries the legal court is perceived to be the basic institution able to enforce effectively private contracts. Not surprisingly, many businessmen (especially the agri-businesses and the SMEs) prefer to solve commercial issues making use of extrajudicial ways<sup>19</sup>. However, we believe that they may be avoiding courts also because of their own weak legal culture.

## Transition and CSR

For many ordinary people in Moldova, the breakup of the Soviet Union was a shock both in economic and moral terms. Suddenly it became impossible to sustain the way of life that they were accustomed to. Contraction of the GDP lasted from 1991 to 1999 and was one of the most drastic among all transition countries (a cumulative GDP fall of about 70% was registered). It has been determined by loss of foreign markets, worsening terms of trade and lack of coherent policy to redress negative economic and social consequences.

Reforms have been complex and resulted in contradictory outcomes. While a reasonable degree of macroeconomic stability was achieved and many of the formerly state-owned enterprises restructured or privatized, the associated human and social costs of transition seem to be huge. Large-scale migration of Moldovan labour (about 20% of the labour resources migrated) is an evident symptom of unprecedented deterioration of the social and individual welfare.

The formerly state-owned companies got restructured or privatized and the new owners were eager to get rid of any social infrastructure. Foreign advisors providing technical assistance to Moldovan governments believed it was illogical that inefficient companies unable to survive without budget subsidies do provide social services. This is absolutely true from a microeconomic perspective, but it should be noticed that this led also to an exceptional degradation of physical infrastructure, which is especially visible in the countryside. Whether companies or the government are responsible for this state of matters is another issue, but the companies acted logically in economic terms.

Reforms advanced in turbulent circumstances associated with a “wild” business culture. In 1990, not paying taxes was the norm for many Moldovan companies, the unofficial sector was buoyant and criminal control over the economy was extensive. There was a lack of confidence of the citizens in their future and a lack of confidence in state bodies. The state itself was perceived by many citizens as failing if not a failed one. This sense of high insecurity was amplified by continuous political turmoil over the 1990s, by Transdniestrian conflict, criminality and rampant corruption. In such an environment only very few companies managed to stay socially responsible.

The country has been experiencing an impressive surge in growth since 2000. Much of this growth derives from the remittances sent from EU and Russia by Moldovan workers. In 2005 the GDP is expected to post 8% growth, and the total expansion of the GDP over 2000-2005 will be 45%. While achievements are impressive, an intensive growth has to be further sustained over the next decade or so in order to achieve the pre-transition level of income and standards of life. Even much more intense growth is necessary to catch up with EU countries in respect to income and human development. While the former scenario may be achieved with some good chances, the latter requires substantive changes both in governmental policies and companies’ strategies. Nevertheless, it has to be said that current positive economic trends are conducive to broader social responsibility on behalf of Moldovan businesses which get stronger as economy and their revenues grow.

## Policy environment

The CSR can thrive only when proper legal conditions and confidence-building policy are in place. For Moldova this is a critical issue. According to most of the observers the Moldovan

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<sup>18</sup> FIA, 2005;

<sup>19</sup> WB, 2004 and Promo-Terra, 2005;

business is formally free of state interference but in reality it is overregulated in some sectors and under-regulated in others. Regulation setbacks arise in part because of absent dialogue between government, business and civil society.

At present, the government holds regular formal consultations with business leaders. But the government seems frequently to preach rather than discuss. Representatives of business maintain that their proposals are constantly ignored. Costs of doing business are among the highest in the region. Policy uncertainty stems mainly from the selective use of regulations for political and economic purposes. Actually, local businessmen perceive that in *politics* rather than in *policy* reside the overarching interests affecting the business environment. As for the place of CSO both the government and the business perceive them as amateurs when it comes to discuss technical problems. Under such conditions it is not realistic that a virtuous circle of trust among government, business and CSO will arise.

Relevant business actors do not see the basic economic institutions to be in place. Remarkably, according to opinion of the associated foreign investors present in Moldova, even the basic presumption of innocence does not apply either in case of business entities being visited by the state controlling bodies or in case of implementing the fiscal policy as entrepreneurs are perceived as potential criminals<sup>20</sup>. What kind of trust one may talk about in such circumstances?

Most of the respondents believe that legal system is not simulative for involvement of private economic entities in socially good activities. A new version of the law on philanthropy and sponsorship was passed in 2002 for encouraging the business to support financially the development of the NGOs<sup>21</sup>. It represents a very much improved version comparatively to the old 1995 law. It allows the private companies to deduct the value of donations from the tax base and up to 10% of the tax base. But private entities believe that applying the law is very difficult because the regulation governing the bookkeeping and tax relations arising from the sponsorship and philanthropy<sup>22</sup> activities is too complex. As for the business analysts they believe that the Moldovan law observes the common EU standards in this area and the problem is with the company unwillingness to comply with the norms or the mere ignorance.

## Corruption

Corruption is a very serious matter of concern in Moldova. This would be probably the most worrying issue as regards social responsibility of companies operating in Moldova. According to experts interviewed within this research more than half of Moldovan companies are corruption-prone and they disregard any social and economic impact that this behaviour engenders.

According to Transparency International's Corruption Perception Index (CPI) the country fares slightly above the CIS average but trails far behind the EU. In the Moldovan context, corruption is found to be a major cause of widespread poverty and a major impediment to poverty eradication<sup>23</sup>. Based on the research conducted by Transparency International Moldova, the authors estimate that "aggregated" bribes paid in Moldova in 2004 amounted to 1.3% of the GDP. Among the most significant causes of corruption one can find low wages in the public sector, weak law enforcement, low probability of legal punishment, culture and tradition. According to existing research, in Moldova bribes are most frequently paid for getting licenses/permissions and for avoiding tax evasion penalties.

Moldova registered a modest progress in 2005 comparing to 2004 with CPI moving from 2.4 to 2.9. However it is still below the threshold of 3.0 which suggest that still there is a

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<sup>20</sup> FIA, 2005;

<sup>21</sup> Law on philanthropy and sponsorship no.1420-XV of 31/10/2002;

<sup>22</sup> Government decision on the approval of the Regulation on the confirmation of donations for sponsorship and philanthropy no.489 of 04/05/1998;

<sup>23</sup> Pinzari and others, 2005 and Prohntitchi, 2003;

“dominant corruption” in the country<sup>24</sup>. Existing reports and interviews conducted for this research find that Moldova is stuck in a “bad equilibrium” with most of the businesses facing a very simple trade-off: either they pay the bribe in order to be “competitive” or their companies face serious survival risks.

What is essentially important for the goal of this research is the finding that only 12% of the businessmen would not pay bribes under any circumstances. While more than two thirds of the businessmen faced situations involving corruption only 10% have reported extortion demands and the main reason for not taking actions is “nothing will change” and “only new problems would come out”. Foreign-owned and locally-owned enterprises do not differ very much on their attitudes and practice as regards corruption.

### Who are the players?

Statistical data on the number of Moldovan private sector entities are contradictory and incomplete. The sheer number of all “registered” economic entities is about five times the number of all economic entities “reporting” to the tax and statistical offices. Besides statistical drawbacks, these figures suggest that the share of shadow economy is large, a fact which is likely to undermine the social responsibility of the companies operating honestly. As for the companies operating in the shadow sector, there is obviously little if any reason for them to be socially responsible.

Surveys indicate that only 14% of the small firms (with less than 50 employees) are legally registered<sup>25</sup>. The total number of the small firms (registered + unregistered) represents more than 90% of all economic entities of Moldova. Despite large numbers of registered companies, according to the information provided by the Association of Small Business, the density of the really operating small companies is among the lowest in Europe (4.5 per 1000 inhabitants comparing to 13 in Romania, 40 in Germany and almost 70 in Italy).

Thus, considering only the reporting legal entities, the Moldovan private sector seems to be composed of a relatively small number of companies (27 thousand)<sup>26</sup>. Two thirds of all economic entities are located in Chisinau. Slightly more than 6% of the reporting companies operate in agriculture, about 13% in industrial sector, 43% in trade sector and 7% in telecommunications and transport sector.

Among the legal entities most of the companies are organised as companies with limited liability (84%). This actually means that most times there is no clear-cut delineation between the management and the ownership. Under this structure there is no always proper check-and-balance mechanism that would ensure higher social responsibility on behalf of the managers and owners. Besides, the limited liabilities are not required by law to disclose so much information as in case of the joint stock companies.

As for the latter, existing reports suggest that interests of the stakeholders are frequently disregarded and many of the latter simply do not know how a company should be run and controlled<sup>27</sup>. The shareholders are not informed about the decisions taken by boards of directors on fundamental changes in the companies. There is practically no information disclosed on capital structures and arrangements enabling certain shareholders to exert disproportionate control over the corporation. Minority shareholders are not treated equitably. There is no such a practice like a Code on Good Corporate Governance. While the basic norms on corporate governance are not materially observed it is hard to believe that companies will go beyond minimal legal requirements and will conduct socially responsible business. A propos, treating equitably all shareholders is a basic element of the modern CSR (see Introduction).

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<sup>24</sup> Pinzari and others, 2005

<sup>25</sup> DAI, 2000;

<sup>26</sup> BNS, 2005, a);

<sup>27</sup> World Bank, 2004;

Economic performance of the private sector is expected to influence CSR heavily because it involves many elements which are costly to the company. Therefore, only when a reasonable degree of financial stability and economic profitability is achieved the company may start investing more in the community, providing highly-skilful training to employees or giving money to charities. As Table 1 suggest the share of profit—making companies in Moldova is quite low and it did not change significantly over the last 4 years. On the positive side is the impressive growth in profits made by efficient companies which rose twice in a three-year period and is expected to rise even more by the end of 2005.

*Table 1 Performance of the Moldovan companies*

	H1'2005	2004	2003	2002
Total number of companies <sup>a</sup> reporting to the NBS	26852	26101	23158	22483
Profits made per economy, billion MDL	3.007	4.244	3.716	2.431
% of profit-making companies	35	41	41	38
% of loss-making companies	52	49	49	49
% of other companies <sup>b</sup>	13	10	10	13

*Notes: a) – only legal entities; b) - either have no activity or no financial result;  
Source: NBS, 2005, a);*

Foreign companies and companies with joint capital tend to be economically more efficient on average than others. Therefore, “costly” CSR elements normally are expected to be implemented in first place by foreign companies. However, comparing even to regional standards, in Moldova there are very few multinational corporations (MNC). According to statistical office, in Moldova there are 813 subsidiaries of the foreign companies (but not all are MNCs!) and 1230 companies with Moldovan-foreign ownership. However, about 70% of the companies involving foreign capital have a social capital below USD 70,000. Only about 3% of companies with foreign capital dispose of social capital larger than USD 500,000.

In other words, global champions that would lead the trend of domestic CSR are scarce in Moldova. The business environment is influenced by the government and a relatively small number of domestic lobbies. This structure sets limits to the room for social responsibility strategies integrated into corporate strategies because an advanced approach to CSR is expected, as our interviews suggest, mainly on behalf of MNCs and national large entities.

### 3. Perceptions of the non-business entities

*This chapter will examine what Moldovan society actually expects from the business with regard to CSR. Is strict respect for existing legal framework concerning social responsibility of the business enough, or society longs for some other activities, such as charity acts, social projects, etc.? The second half of the chapter will go beyond examining society expectations and will provide a brief assessment of the past and current achievements in cooperation between business and local/international development community.*

#### What does Moldovan society expect from business?

What is society's opinion on business? How does it appreciate the business involvement in a series of social issues? What are society's expectations towards social responsibility of the business? What other actors can do about making businesses more CSR-prone in Moldova? These are the questions the authors will try to answer here.

It is clear that social attitudes towards business are not the same anywhere on earth. So it's no wonder that opinions on the business are highly divided in Moldova, too. To cut long story short, there are two main venues of opinion on business: sanguine and sceptical.

#### **Some like business...**

The former group appreciates business as the most active people, willing and able to take on risks of making business in Moldova, and what is of no less importance, tending to learn a lot from their foreign partners and to become western-style companies. The representatives of this group point out difficulties (mostly of bureaucratic nature) that businesses face in Moldova, and when the issue of corruption is concerned the businesses are viewed as those seduced or forced into this malign practice. These business-supporters are also much more optimistic about the future developments regarding business and CSR: within some time due to economic openness local companies will embrace modern business culture (for which CSR is a prerequisite) from their western partners either locally or internationally.

#### **Others are uneasy...**

The representatives of the second group find much less reasons to be sanguine about social responsibility of companies in Moldova. Business-loathers see businessmen as greedy, profit-fixated people, who pay scant attention to society's needs. These businesses are not much interested in the development of Moldova, dwelling in the current murky business environment, always being cosy with politicians in power and eager to corrupt the latter. These businessmen are enjoying their wealthy lives, while popular disgruntlement doesn't mean too much to them. Last, but not the least, representatives of this group are also much more sceptical about social responsibility displayed by the foreign companies, noting that behind PR-actions and all sort of cultural events, there's actually quite much of disrespect for labour or human rights.

Table 2 displays society's perception of the business involvement in solving different social issues in Moldova.

*Table 2. Gauging public perception of the CSR in different areas*

Areas, social issues	Perception of responsibility*	Comments
Environment		Pipe-dream. Businesses almost never care about environmental problems in communities. Legislation is seldom respected.
Labour rights		Black cat in dark room. Businesses often disregard legal norms in this area and refuse concluding collective contracts; trade-unions are dormant; employees are uninformed and unemployment is high.

Human rights		Child labour is a dark spot. Seasonally businesses employ children, sometimes mistreat them.
Corruption		Augean stables. Businesses are often seen as main culprits, or benevolent partners with officials. Otherwise, businesses often can't find the exit from this vicious circle.
Consumers' rights		Although businesses often seem to care about tastes of the consumers, they don't like to assume too much responsibility for their services or goods. However, due to poor law enforcement and insufficient information consumers are unable to make full use of their rights.
Community development		A somewhat brighter spot. Businesses are often involved in different kind of social activities (rehabilitation of infrastructure, construction and cultural activities) at the local/rural level. City dwellers are less happy.

Note: \* - areas where businesses are perceived less CSR-oriented are shaded with darker colours, light shades, respectively, go for social issues which get more business attention.

As it is clear that society is divided over business' image so it is apparent that society has different expectations on CSR in Moldova.

The first category of expectations can be termed as the *minimalist* one. It is deemed that paying taxes, full respect of legislation regarding human, labour and consumers' rights as well as implementation of all environment standards would suffice. Logic behind this goes the following way: more taxes paid will strengthen central and local budgets, thus giving the state institutions sources to deliver on their social obligations. Respect for the legislation, it is believed, will give less room for corruption and thus will benefit economic development. Certainly, in some cases some amending to the current legislation might be required, but no more. Thus, businesses are not expected to do anything else besides what is required by the law, leaving solution of social issues to the state institutions, etc.

There is, however, another category of expectations. Let's call it the *expansionist* one. It is widely assumed that besides paying all the taxes and full respect to the law businesses companies have to start thinking on the society's needs through philanthropy aimed at helping those need, taking care of environment, etc. In many cases, the businesses should offer financial help for social activities that are supported by the state insufficiently or not at all. Below you can find some examples of what people actually expect businesses to do on social issues:

- To contribute to community development. To cooperate more with Local Public Administration in order to solve local issues.
- To help more those in need through philanthropy.
- To help talented youth through scholarships and career opportunities; Support talented children, help schools.
- To provide services in communities where these may not be feasible from the market point of view.
- To respect the environment. Moreover, to take some steps aimed at recovery of deteriorated areas.
- Respect for consumers' rights would also require fight against corruption which often allows for sales of low-quality products or provision of low-quality services.
- To participate by own will at social programs and projects.

It is worthwhile to mention that society mostly expects willing contributions from the businesses to solving social problems. People have quite a cold eye on the cases when local companies were actually forced by public authorities to donate for a specific cause, set out by the authorities. It is assumed that companies have to have right to decide

independently whom to provide support, with some consultation of the respective community.

To sum up, Moldovan society is quite divided over the business' image and CSR. So are the society's expectations what businesses should do to help solving social issues faced by the society. However, there is a point on which society is unanimous. The business doesn't do enough to solve social issues and its corporate social responsibility is all but present. To leave this view without attention would be a pity.

### Assessment of the past and current collaborations

A very wide array of definitions on public-private partnerships can be found in the economic and public choice literature. The most encompassing is the definition adopted by United Nations and World Economic Forum which refers to the partnership as "shared agendas as well as combined resources, risks and rewards. They are voluntary collaborations that build on the respective strengths and core competencies of each partner, optimize the allocation of resources and achieve mutually beneficial results over a sustained period. They imply linkages that increase resources, scale and impact" [UN Secretary-General, 2005]. These partnerships may include business alliances, philanthropy and public policy dialogue, covering local community projects, nationwide initiatives and global projects and addressing market failures or weaknesses in governance and public administration [idem].

A limited number of public-private partnerships can be found in Moldova too. Moreover, most of these rare partnerships are more donor-driven, with substantial financial help coming from abroad. Some examples would go as: FISM (World Bank), Citizen Participation Program (IREX, USAID). These programs are, nonetheless, more focused on the role of communities than business in development. More business-driven example could be Initiative for Social Responsibility Program (PFAP/ EWMI, USAID) which was focused on social projects in rural areas, where businesses were expected to be main engines of community development, contributing as well half of the needed funds. The program was, however, halted in the process of implementation. At the same time, most of the partnerships in Moldova are still at emerging stage, concentrated in rural areas and it is hard to assess their impact. Besides, they are not publicly known and are frequently limited to local communities. On the side of the companies, very few try to assess the social impact of their partnerships and even less make these assessments go public.

## 4. CSR: practices and potential

*This chapter provides an overview of the CSR attitudes and practices at the companies' level. It examines how and whether companies in Moldova report publicly on their social responsibility. It sums up what does it mean for companies to be socially responsible and which are the areas of responsibility. Further on, the chapter analyzes the main reasons for practicing social responsibility and main hindrances affecting socially responsible behaviour. Finally, it discusses the main CSR learning needs as perceived by companies.*

### Emerging CSR public reporting

Our analysis shows that in Moldova there are many companies engaged in specific activities regarding social needs and environmental protection. All interviewed companies reported to be particularly responsible in “market place” paying much more attention to their customers than the law would require. Many companies contribute regularly with gifts for children, disabled and other vulnerable social groups on occasion of the national and local holidays. A series of companies provide training, and additional monetary and non-monetary benefits to their staff. A certain number of companies invest in their communities and even though their efforts are not visible at national level they bring about a palpable contribution to local development.

What is missing is the widely available information about these positive practices. Very few companies try to assess the social impact of their corporate responsibility and to disseminate their best practices. Also, very few companies report publicly on social actions they have done and there are practically no companies respecting fully the widely accepted standards for CSR reporting (such as the General Reporting Initiative standards<sup>28</sup> or others). Most often domestic companies (mainly joint stock companies) disclose regulatory compliance-related information. When there is some information on CSR it is usually integrated with the annual financial report of the company and is not presented as a separate CSR report or at least as a separate well structured chapter in the annual financial report.

Information on the web is not reported efficiently as it targets consumers while web pages are more likely to be used by potential foreign investors and local CSOs. Generally, one would expect that public reports from companies would be produced and disseminated more likely by companies having a web page. However, only about 2% of the “reporting” companies do have a website<sup>29</sup>. This is a significant weakness since it deprives the companies of the most efficient and comfortable channel for communicating with influential stakeholders. Approaching companies for asking information about CSR using other channels than Internet is very cumbersome because Moldovan managers apparently have too much workload and can allot very small time to meeting the stakeholders.

Information about CSR is provided by PR departments and is coordinated/approved by the management. External stakeholders are consulted sporadically as related to the content of the reports. However, companies tend to involve a bit more frequently some stakeholders in dialogue as regard the CSR policy rather than content of reports.

Therefore, one can conclude that Moldovan companies report what they can rather than what they should. Also, Moldovan companies tend to disclose solely the compliance-related information stipulated by law rather than additional information which would be relevant for a number of public stakeholders. Among Moldovan companies the commercial banks are active in publishing information about the social responsibility and usually it is integrated into the annual financial report of the bank. Commercial banks represent the most advanced sector as related to social responsibility of the domestic companies because in

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<sup>28</sup> A very good publication illustrating the GRI reporting standards is GRI, 2002;

<sup>29</sup> Estimated by authors using the Yellow-Pages business guide;

this sector reputation is perceived as very valuable asset and banks tend to spread positive information about their social contributions.

It is worthwhile mentioning that a large number of Moldovan companies refused to participate in our research for various reasons. However, most of these reasons were concocted because many of the companies are afraid to be under public scrutiny. As the “failed” interviews have showed communication with the general public is very weak, for majority of companies is merely absent or very complicated. At the same time, the stakeholders’ “demand” for public reporting remains very feeble too. This is why the information available may not reflect the full picture of the social responsibility of Moldovan companies.

It has to be recognized that a certain number of the interviewed businessmen do not understand what may be the intrinsic necessity for the companies to provide transparent and intelligible information about their activities to the public. The question “Did you put at the public’s disposal company’s activity report for the previous year?” was answered by many respondents in very defensive ways:

- “It is not in our business interest to publish reports on activity”;
- “We are not required by the law to disclose information on our activities”;
- “It does not pay to publish reports on activity; we are not a commercial bank to “allure” clients in such a manner”;

It seems that only some foreign-owned companies and joint ventures market adroitly their social responsibility. For the time being very few Moldovan companies understand that CSR reports may be very instrumental in expanding their international trade. It is expected however that the CSR-related reporting will increase as more foreign companies will be looking for trustworthy Moldovan partners and as the foreign-owned companies and joint ventures will start applying in Moldova the same standards of CSR reporting as in their home countries or by their parent companies.

This will provide big fillip to the domestically-owned large and medium companies for improving their own CSR practice and for observing the CSR reporting standards. Besides, it is expected that CSR publishing tradition will emerge in first instance in markets with limited competition, where any innovation may bring about significant strategic advantages.

### What does it mean to be socially responsible for Moldovan companies?

At the global level adoption of the CSR principles at the everyday corporate operational level has become a mainstream. However Moldovan businesses are only becoming familiar with this new business culture. The CSR is not a core value recognized as such in corporate strategies by Moldovan business community. Nonetheless, many distinct CSR elements are quite acknowledged and practiced. Very often, these elements are incorporated in the business behaviour with a particular “national flavour”.

There is little understanding of the “advanced” concept of the CSR among the Moldovan private companies. To mention but one telling example, only a couple of the interviewed businessmen are aware of the existence of the UN Global Compact. Some foreign-owned companies or joint ventures located in Moldova and local banks do have a much more sophisticated approach to their social responsibility than on average in Moldova. They define and integrate this social responsibility in their corporate strategies and their shareholders approve expenditures items for social responsibility in the annual budgets of these companies. In the course of their activity these companies declared to be following a triple bottom line approach to their business: 1) trying to maximize profits while 2) minimizing negative impact on the environment and 3) investing in local communities.

According to the interviewed managers the majority of local businessmen think in first place about either survival of their company or their personal interests. Social concerns are on the bottom of their agenda if at all. This attitude may be explained by a number of micro- and macro-factors, but mainly by the uncertainty under which their companies function.

Intriguingly, most of these representatives maintain that doing “ethical business” in Moldova is impossible or is rarely possible, whatever they understand by “ethical”.

As for those domestic companies who care about society, *most of them understand social responsibility as donating money for charitable purposes and sponsoring public events.* Despite some legal stalemates this activity has been growing steadily. As indicated in the Table 3 the aggregated amount of money spent by private companies for sponsoring events and for philanthropic goals is quite substantial both in terms of GDP and profits made by profit-making companies.

*Table 3 Sponsorship and philanthropy made by Moldovan companies*

	2004	2003	2002
Amount of expenditures for sponsorship, philanthropy incurred by legal entities reporting to the NBS, million MDL	202.9	145.5	136.1
Expenditures for sponsorship, philanthropy, % of profits made per economy	4.78	3.91	5.60
Expenditures for sponsorship, philanthropy, % of GDP	0.63	0.53	0.60

*Source: information on absolute amount of expenditures for sponsorship and philanthropy was kindly provided by the NBS, computations made by EG;*

However the figures presented in the Table 3 are likely to underestimate the true extension of the donating activity in Moldova for the following reasons:

- not all sponsoring companies report to statistical and tax offices (for example SMEs);
- a part of donations is made in-kind rather than money and is not properly recorded in accounting books (a typical example, small agribusiness companies);
- tax office may not accept a donation as such if it was not properly registered with the office according to the regulation issued by the Government;
- many companies do not register small donations because fiscal gains may be relatively small compared to cumbersome and time-consuming bureaucratic procedures for approving the donation with the tax office;

Table 4 presents a comparison of what has been achieved and the drawback in the areas pertaining to CSR (the table is compiled not only based on interviews conducted with companies but on other sources of information as well).

*Table 4. An analysis of the CSR practices of the Moldovan companies*

Areas, social issues	Achievements	Drawbacks
Basic labour standards	Open gender discrimination in labour is not as extensive as in other countries in the region. Many companies provide specialized training to their staff and to potential staff.	In agriculture, agriculture-related services and construction sectors companies are still using child labour. Many companies do not hire employees formally for tax evasion purposes.
Working conditions	Number of victims due to work accidents has decreased from 1130 on average in 1996-2000 to 640 in 2001-2004,	Many managers of the small enterprises lack the basic knowledge on the labour conditions regulations.
Community development	Many companies get involved in local development with resources or labour contributions. Types of activities: plantation of the trees, landscaping, cleaning the streets.	Frequently local and central public authorities force the companies to contribute to community development. Involvement is occasional rather than inbuilt in corporate strategies. Many companies expect tax facilities in exchange for contributing to local development.
Sponsorship and	Moldovan companies are quite active in donations and charitable activities because they can perceive an	Many companies prefer to donate money directly rather than paying taxes. Frequently the donations are not properly registered and reported to the tax

philanthropy	immediate impact of their contribution. Total amount of donations has increased alongside with the number of profit-making companies.	offices either because procedures are cumbersome or simply not known.
Supply chain issues	Several foreign companies call for social responsibility from their counterparts and do not enter in commercial relations unless basic standards are respected.	A number of companies positioning themselves as socially responsible do not require social responsibility from their suppliers/customers. Price offered is the main and most often the only one criterion for choosing the business partners.
Environment	Some of the companies in real sector reported to be using only environmental-friendly technologies. A company reported bad environmental impact of its activity which the company compensates by paying taxes.	Very few companies practice recycling and waste management. Companies with environmental impact do not communicate with the public on the measures they take for alleviating the impact. Many companies to not report adequately on their impact and ignore by and large the environmental issues.
Corruption	Perceptions of corruption in Moldova have improved slightly. A publicly advertised show-campaign was launched by the government for catching "big fish".	Corruption is one of the darkest points of the CSR map of Moldova. Corruption and extortion are widely tolerated. Seldom companies affected by corruption report on corrupt arrangements they know about. Frequently the companies rather the public officials are the "first movers" in arranging corrupt deals. "Anticorruption" campaigns are often a means for fighting political adversaries and solving economic issues.
Customers	Business analysts perceive multiplication of customer-responsible companies. More and more companies conduct surveys of the customer satisfaction.	A number of companies do not care about their customers. Many publicly-owned companies facing soft budget constraints provide low-quality services and products. The legal procedures for defending consumer rights are cumbersome and costly.

A significant part of Moldovan business representatives asserted that paying honourably taxes and observing general laws and regulations already involves a lot of social responsibility and nothing more should come under this headline. According to them, what the public frequently perceives to be "social responsibility" of private companies in fact may be a result of the "social racket" or "political racket", depending on whether the pressure comes from the CSOs or government.

Indeed, a range of resonant public events involving political responsibility from the part of the central or local governments have been "sponsored" by private companies which actually have been forced to do this. According to mass media reports, business experts and companies managers among such events there are a number of national festivals, construction of monuments, restoration of monasteries and a number of local fairs and events.

Therefore the Moldovan companies are doing a number of tasks which normally would fall under the responsibility of the government. Requiring the private companies to provide public goods is an obvious symptom of weak governance. This pattern is not likely to contribute to general development agenda as it undermines the governmental responsibility, stimulates corruption, is not economically efficient and deflects attention from the root problems. Quite the opposite, "forced" social responsibility may well scare the businesses and make them sick about making true social investments.

### Factors influencing CSR

According to perception of the experts and results of the interviewed companies in Moldova there are some pockets of CSR excellence. They are represented mostly by companies perceiving the CSR as something fundamentally integrated in their core business on daily basis and at every operational level (even though, as mentioned before, they may not report publicly on their CSR performance). However, for the great majority of the

companies in Moldova social responsibility is something occasional and not integrated in the core business because it goes as corporate philanthropy.

Very often Moldovan companies do not report on their CSR because they disregard the public. We encountered lack of interest even while conducting this research. As indicated above, a number of companies we have approached refused to participate in the research. The formal reasons were: “we are not interested in this”, “we do not trust you” and “we are too busy and have no time to lose with answering your questions”. (It took about 20 minutes to fill in the questionnaires).

For the companies practicing CSR there are many reasons behind their responsibility. Our research shows that for domestic companies most frequently there is an overt business case behind CSR. Increasing general efficiency and increasing turnover are reasons for Moldovan companies to practice social responsibility. It appears that many firms see CSR as a precondition for retaining the skilled staff. A number of domestic companies reported also that company reputation and traditions are reasons for being socially responsible.

Business culture and moral ends have been mentioned most frequently as drivers for CSR by foreign-owned companies and joint ventures. Economic interests are apparently less important factors but still they have been invoked by a number of non-Moldovan companies. On the other hand, many Moldovan business analysts established that in oligopoly markets investing in CSR activities is an important element of product differentiation and of reputation building.

A series of CSR-related risks have been identified. Businessmen are mostly afraid of increasing operational costs and reducing profitability but a certain number of respondents do not see any risk at all. A few interviewees said that CSR strategy may be difficult to manage and lack of skills from the part of PR divisions may pose significant risks. The impact of governmental policy on CSR has been found to discourage the CSR most often.

Companies with social responsibility have indicated that other companies, their staff and their stakeholders are those partners who support most frequently the CSR policy. It is remarkable that only some companies perceive the NGOs and local or central government as partners they could rely on.

Most of the domestic companies have no far-reaching strategic reasons for incorporating CSR in daily business. The consumers in Moldova are not very sophisticated in terms of tastes and product differentiation but they will become so soon. For this reason firms will tend to use CSR as an additional means for outperforming the competitors.

### Contributing to local development

All the interviewed companies said that their business performance is dependent “fully” or “to a large extent” on the community they operate in. Not surprisingly, they tend to be and are very actively involved in local development strategies. This involvement takes various forms, with investment in community development being the most widely practiced (see the Business and CSR profiles of the interviewed companies).

**Box 3** illustrates a number of practical examples of this kind of involvement undertaken by a number of companies (not those being interviewed).

#### **Box 3 Examples of companies' involvement in local development**

1. Town Hall **Orhei** won a grant as part of a bigger grant awarded through the Department for Youth and Sports, Education Ministry, for construction of district stadium. Town Hall's contribution was 50% of a total value of the investment. Town Hall appealed to district businesses to support the project. 3 beneficiaries of SRISP project – “Oficial plus” Ltd., “Teodad” Ltd. and “Rovacont” Ltd. responded to the appeal by transferring 2,000 MDL each.
2. „COBULEANCA RURAL ECOTUR” Ltd. provides host services and meals to tourists coming to visit Tipova monastery and sightseeing Saharna situated close to Lalova-

village. „COBULEANCA RURAL ECOTUR” Ltd reconstructed the road which is important not only for tourists, but also for the villagers living next to resort.

3. „Baralil” Ltd. established an agrishop as a beneficiary of the SRISP Project (Ciorescu village, Chisinau municipality). „Baralil” Ltd. cleaned the area and planted trees there, repairing an artesian well and installing a pump in order to ensure hygienic and sanitary conditions. It also provides drinking water to households from the village centre.
4. “Seprimvit” Plus Ltd. on June 1 (Children Day) every year organizes disco for children of the Vulpesti-village (Ungheni). On every Saturday and Sunday these events are organized charge free for the youth. The enterprise also contributed to renovation of the local kindergarten. Convalmit Ltd. helped with transport services to renovate kindergarten and arranged office for local NGO (Association of parents and teachers) in Rezina village (Ungheni). As a reason: local kindergarten was in need of reparation for long time and those businesses responded positively to local authority’s appeal.
5. In ATO Gagauzia “CVISBIS” Ltd. (Komrat), a bakery, helps on the constant basis children with eye defects by providing them with company’s products free of charge. It started lending this help on its own initiative, not on the request of the authorities. Information on the recipients of assistance is provided to the company by the “Association of blind persons”.
6. Single-owner enterprise “Mocanu Ion” (Tartaul village, Cantemir) contributes on a permanent basis to organization of religious or local festivities in the community. For money provided by the entrepreneur gifts for kids from the local school and kindergarten are bought.

*Source: Support to the Rural Investment Service Program (SRISP [www.rural.md](http://www.rural.md)), financed by DFID*

Nonetheless, it is difficult to assess the cumulative social impact of all these initiatives. While they are done mainly at local level their cumulative effect may turn very positive for the general development of Moldova. Indeed, as our interviews with companies suggest, the total amount of money invested in community by foreign and domestic companies may exceed by far the projects financed from the public budgets. However, more research and more cooperation from the part of local and regional governments are necessary for evaluation of the partnerships and for disseminating information about the CSR excellence at local level.

### Companies' perceptions on CSR learning and partnership needs

The interviewed companies have been asked to assess their CSR-related learning needs. Surprisingly, several companies answered they do not want to know more than they currently do. The fundamental reason seems to be lack of understanding of why is CSR important at all. A brief explanation of the learning priorities and desired partnerships in CSR is provided in Table 5.

*Table 5 Learning/cooperation and partnerships needs*

<b>Learning/cooperation needs</b>	<b>Partners</b>	<b>What should partner do</b>
Eradicate CSR illiteracy	CSOs, UNDP	Provide basic training and general information about the modern concept of the CSR
Learning about CSR opportunities in Moldova	CSOs and other consultants	Provide training related to the legal framework. Provide training in integration of the CSR in corporate strategy.
Learning about best practices	CSOs, UNDP	Do research and compile guides on CSR best practices in Moldova and abroad. Organise regular CSR Monitoring of the Moldovan businesses.
	Other companies	Publish and disseminate information on their own practical examples and excellence in this area
Learning about the social priorities	Local government	Be more open-minded and professional, help the companies hold consultations with the community and cooperate in organising events
	CSOs	Work closely at grass-root level for learning about the priorities and cooperate in local initiatives
Confidence building	CSOs	Be more technically skilled and provide professional expertise on CSR-related areas
	Central and local governments	Be open for honest dialogue and be receptive on the proposals from the private sector and CSOs. Set up a cooperative framework for joint CSR learning, information exchange and transparent policy debate
Set up a CSR conducive environment	Central government	Remove unnecessary barriers for doing business and reduce costs of transactions. Encourage companies to operate in the official economy. Streamline the legal framework regulating sponsorship and philanthropy activities.

Obviously, the learning needs vary greatly depending on the sectors and company size. Many companies practicing an advanced CSR should be trained mostly in how to write properly their CSR reports and how to disseminate them skillfully. A certain number of companies have to be trained in how to communicate efficiently with the public and how to identify and consult their stakeholders. In the Moldovan SMEs sector learning needs are much more fundamental. As some interviewed leaders of small companies affirm, many of their comrades lack basic managerial skills not saying about advanced CSR issues.

## 5. Next steps

*Based on the findings of this research this section tries to discuss some general recommendations on the further actions to be taken. It is addressed both to the general public expected to read this report and to the UNDP which is the right organization to start promoting more forcefully CSR culture in Moldova.*

### Educational points for companies

Unfortunately, so far CSR has remained a somewhat marginal issue for all society actors. At the same time, putting all the blame on business would be a misreading of the realities. For companies to embark on a course of more socially responsible behaviour, the “demand” for such behaviour is needed. For instance, communities and CSOs should more actively raise these issues and get involved in resolving them. And the authorities should engage in an open dialogue with companies rather than making use of “Soviet-style” unfriendly approaches to business. Ultimately, CSR is an issue of conviction and of culture, not of fear.

However, the main effort probably lies with the companies themselves. They should identify their most relevant and influential stakeholders and engage in dialogue with them. For the company, the outcome of this dialogue should yield a much clearer picture of public expectations, a much clear understanding on how CSR reports should be structured and a set of indicators to be used for reflecting to the public the issues of concern. These indicators should also be compatible with the international CSR reporting standards. Some national standards compatible with the international ones may be jointly developed by representatives of many companies forming a working group.

These indicators may serve as a set of tools and benchmarks for evaluation of the social impact of the company’s responsibility. The impact should be properly assessed and presented to the public. The public should be able to provide feedback to the company which should listen to it. Such evaluations would help company make improvements to their CSR policies.

Associations of businessmen, employers, SMEs and other similar organizations should establish a joint commitment for improving their public presence and communication. This will contribute enormously to reinforcing the sense of trust in business, a sense which is weak nowadays in Moldovan society.

Still more important, Moldovan companies should understand that social responsibility is not only about giving money for high moral ends. It is also about basic human rights, moral probity, care for the environment and promoting CSR along their supply chains as well. There is a strong business case to be made for investing in community sustainable development as it will strengthen the company’s position in the community and provide it with long-term opportunities for further growth. Customers’ care should become a usual way of doing business which will enhance company’s comparative advantages in an increasingly competitive environment.

Companies should understand that CSR may become a very valuable strategic advantage and may reinforce further the company’s reputation. It enables the company to make a significant difference comparing to competitors. Companies are the most influential entities for demonstrating to consumers that, all other things being equal, a “socially responsible” product is better than one that is not socially responsible. Companies should strive to incorporate CSR principles into their everyday operations. CSR should not be viewed as a sporadic activity, but rather as an integral part of daily corporate culture.

Giving money and helping solve social problems is important. But its effects could be well magnified by establishing efficient means of communication with the public and stakeholders. Publishing CSR reports or integrating them coherently into the annual financial reporting would an appropriate step to begin with.

Use of existing means of communication should be also improved and amplified. It would be a pity to miss opportunities provided by modern technologies. Companies have still a lot of work to do in transforming their web-sites in effective communication tools on a series of issues, CSR being part of them.

The face-to-face communication between the 'CSR'-responsible personnel and external stakeholders has to be streamlined. This will encourage the public to view companies as accountable and trustworthy partners in tackling social issues.

The government should refrain from interfering with CSR policy of individual companies. On the contrary, the authorities should put efforts into establishing a legal framework that encourages companies to embark on a socially responsible ways of doing business.

At the same time, the authorities (central, district and local) should engage in a permanent dialogue with business with the aim of joint tackling of the most arduous social concerns in society. This should be done in a transparent and goodwill fashion. Hence, this new partnership would imply open debates on goals the parties agree to achieve as well as tools they will employ in achieving these goals. 'Forced' social responsibility should be seen as unacceptable and damaging for the common aims of the development partners.

No less important would be closer involvement of the 3rd sector in CSR issues. CSOs can play an invaluable role in raising issues of concern, building coalitions and ensuring sustainability of the public-private partnerships. What is required from the CSOs is to improve their technical competencies so that they are able to engage in frequently sophisticated dialogue. Often, CSOs can serve as precious intermediaries in dialogue between communities and businesses.

#### [A set of recommendations for the UNDP](#)

The UNDP is the appropriate agency to initiate a set of activities aimed at bridging the gap between global and European trends on CSR and the patterns of doing business prevalent in Moldova at present. The "market" for campaigning for CSR is absolutely free as no international or local development agency has embarked systematically upon the issue. Using marketing terminology, we can say that the UNDP in Moldova can create a strategic market rather than find free niches on an existing market. In this relatively new area for Moldova, the UNDP has to initiate a number of advocacy and technical activities.

Moldovan subsidiaries of Western companies should be encouraged to incorporate in their practice the CSR reporting standards used in their parent countries. For the UNDP it may be simpler to start with a small but dedicated group of companies. Moldovan companies operating in sectors with significant environmental impact should be encouraged to make public presentations on how they respect environmental protection regulations and should be invited into this core group.

These two categories of companies should promote at national level the adequate CSR practice and reporting. For instance, they may require their counterparts down and up supply chains to produce and publish CSR information. In the first instance, these reports may not respect standardized requirements on CSR and may reflect only the most visible and easy to evaluate involvement in local development, sponsorship and philanthropic activity. The sophistication of these reports will progress as Moldovan companies learn that public support can play an important role in their businesses. Civil society and the government should encourage and appraise CSR reporting by domestic companies. Nonetheless CSR reporting should not be mandatory and the government should refrain from using compulsory tools.

Translating GRI standards and presenting them to the public would be a useful and important step for the UNDP in starting a CSR campaign in Moldova. In Moldova there are many subsidiaries of reputable international companies specialized in business consulting and audit which may be contracted for translating and presenting GRI standards to Moldovan companies. Involvement of such high-profile companies is necessary for making the CSR promotion campaign credible and appraised by Moldovan firms.

The UNDP should play a role of animator and moderator in debates on CSR. Working more with the civil society organizations active in protection of consumer rights, the environment, human rights and community development are a “must-do” in this context. These organizations -- not the UNDP -- should ultimately be more active on the “demand-side” for making local private companies more socially responsible.

CSR, both in theory and in practice, should be promoted via mass media. For instance, offering prizes to the journalists writing about CSR would serve as an effective tool in involving national media in a CSR promotion campaign. In CEE countries, there are examples when media involvement has triggered considerable CSR-demand from the public and increased responsiveness from the business community.

The UNDP may also start with setting up positive examples in the area of CSR. This can be done effectively via establishment of a national Global Compact Network. Engagement may be most successfully started with national champions (e.g. banks, etc.) and foreign affiliates. Other companies will most probably “follow the leaders”. Some influential mass media and CSOs should also be invited to be a part of the network.

The UNDP should focus debates on CSR on concrete problems rather than general issues. At the same time, it would be too optimistic to expect that the process will start immediately. Experience accumulated during this research project as well as experience with other projects suggests that several rounds of informal meetings may be necessary in order to for the business community to become willing to participate in CSR events.

The UNDP will need to hold consultations with the main players in the private and civil sectors and explore possible themes for discussions and venues for joint action. In fact, there is no need to gather a general session but rather a forum focused on a specific issue of common interest. Such an example may be the issue of fighting corruption whereas in case of agricultural companies, abolition of the children’s work in agriculture and others.

## Business and CSR profiles of the interviewed companies

1. **Audit Complex** is a national authorised auditing company. Audit Complex provides fiscal, legal and a series of other consultancy services to a wide range of domestic and international companies. The company is constantly achieving the highest standards of professionalism and invests much in training of its staff. The company promotes international financial and accounting standards among non-commercial entities, providing its services to a series of NGOs.
2. **Bioprotect**, one of the largest providers of services to agribusinesses, specializes in trade with pesticides and fertilizers, equipment for individual protection, seeds and others. The company offers consultancy services by developing complex plans for crops protection and soils rehabilitation through fertilization. The company trades domestically and internationally agricultural raw products and exports fresh and canned fruits.
3. **Carmez** is the largest meat-processing enterprise of Moldova with almost one thousand employees. They are perceived as being among the main areas of CSR. The company ensures good working and resting conditions. Facilities are even equipped with saunas, where employees may relax after a working day. The plant has its own camping on the coast of the Black sea and the Nistru river. At Carmez one of the best children's health centres is located. The company provides material aid to Mother and Child Republican Center, to schools for disabled children, to universities, church and monasteries, to elders and its former workers. Aiming the production of high and guaranteed quality "Carmez" has developed and certified in July 2000 the System of quality enterprise management according to requests of international standards of ISO-9000 series. See more on [www.carmez.com](http://www.carmez.com).
4. **Compudava** is one of the most successful software companies operating in Moldova with 100% British capital (member of the Brains Group, UK). The company provides offshore software services (development of applications, systemic integrations, maintenance, consultancy, including in the IT-management, data security). Compudava is certificated by the BSI for the quality management with ISO 9001 certificate and is a Microsoft and Oracle certified partner. The company offers jobs to the most talented Moldovan young specialists in computers and information technologies. The employees are offered competitive salaries, excellent work conditions and professional training. See more on [www.compudava.com](http://www.compudava.com). Along with its commitments to offer attractive jobs to highly educated and skilled IT Moldovan specialists and to help Moldova penetrate on the Western market, Compudava also aims to attract its Western partners under a charity philosophy to support educational and medical institutions, as well as the population of Moldova in gaining access to informational technologies. Having significant experience in software industry and also in educational areas, the Compudava created its Foundation, which endeavours to make technology accessible to all generations, thus granting Moldovan citizens from rural and urban areas the tools and skills necessary to compete in a world of growing technological reliance. See more about foundation on [www.compudavafoundation.org](http://www.compudavafoundation.org).
5. **Covoare-Ungheni** is the largest carpet factory in Moldova founded in 1980 and located in the town of Ungheni. The company is certified with the ISO 9001:2000 quality management certificate. Its products are well known by the both domestic and foreign customers for their quality and unique design. As part of its social responsibility the company makes investment in community development and in charitable projects (support to schools and orphanages) and provides training, high wages and other benefits to its employees.
6. **Cricova** is a state-owned winemaking factory whose history goes back to 1952. The company produces a wide range of wines using both classic European technologies and original ones developed within the company. Cricova explores an increasing number of market outlets including the domestic, the CIS and EU countries, the USA and Canada and East-Asia. Besides vineyards, productive and storing facilities, the company owns a unique cellar complex, the underground Wine Town which represents one of the most tourist attractive sites in Moldova and is under both Moldovan state and UNESCO protection. As part of its corporate social responsibility the company works hard to help its suppliers extend the surface of the vineyards thus exerting positive externality both on labour market and environment. The company implements environmentally-friendly technologies throughout its production cycle. It is among the main national sponsors of the social and cultural events. See more about the company's profile on [www.cricova.md](http://www.cricova.md).
7. **CrocmaZ-Agro**, agricultural company located in the CrocmaZ village, Stefan-Voda district. The company produces and sells crops and livestock products at local, regional and national level. The company is one of the main local agents bringing a palpable contribution to community development through its community investment, through jobs provided to inhabitants and taxes it pays. The company has sponsored a number of local cultural and social events and has made significant contributions to improving and upgrading the local infrastructure.
8. **Leogrant** is a company with foreign capital providing services in tourism sector. It is the owner of the Dedeman Hotel located in the downtown of the Chisinau. The company provides support to schools, hospitals and orphanages and makes a number of other charity actions. It supports its employees by providing training and other benefits and contributes to environmental protection. The company has hosted

a number of cultural and arts events. At the hotel the artistic gallery ARTIUM was opened, where exhibitions-sales of the works of the leading painters of the Republic are frequently organized. See more on [www.dedemangrandchisinau.com](http://www.dedemangrandchisinau.com).

9. **Efes-Vitanta Moldova Brewery**, the history of the company starts in 1873 when a German entrepreneur set up first brewery in Moldova. Until 1995 the company was owned by the state and now is owned by the Efes Beverages Group. Presently the company is the largest brewery and non-alcoholic beverages producer in Moldova with a 75% share of the market. The company provides support to cultural events and sport-teams. It is the main partner of the National Table Tennis Federation. The Brewery offers scholarships to students from 13 Moldova universities. In June 2003 the company became the main partner of the National Olympic Committee in preparing the national team for the 2004 Olympic Games in Greece.
10. **ExpoLiga** is a young but very successful company trading agricultural products starting its operations in Taraclia, the Southern Moldova. However the company's regional business has grown rapidly into an international one. The company is among those entities which advocate for and implement in its practice European standards in storing and packaging agricultural products.
11. **Glass Container Company**, a relatively young economic entity endowed with advanced productive equipment and technologies. It produces and sales in Moldova and abroad high quality glass containers for wine, sparkling wine and beer. The company's social responsibility spans a wide area: from providing support to schools and other social institutions to offering scholarships for the university students. The company has a particular responsibility for minimizing the environmental impact of its production via implementing the most advanced technologies. In its corporate development strategy the company envisages a significant increase in the wages, the number of the new jobs and additional facilities provided to the employees. See more on [www.gcc.md](http://www.gcc.md).
12. **Hidrotehnica** is a unique Moldovan company with an exceptional technological know-how and human resource endowment. It produces and mainly exports electric pumps and other equipment which is used in aggressive environments and in special technologies. The company has a distinct responsibility for minimizing the environmental impact of its activity. The company provides health support to its employees, contributes to a number of environment projects.
13. **Investprivatbank** is one of the most dynamic commercial banks in Moldova. It continuously implements the most advanced international banking standards and tools, emphasising operational excellence and handling efficiently the client's needs. The presence of the Bank in the social and cultural life of the country has been marked by numerous actions supported philanthropic activities and sponsoring of varied activities in the field of art, culture, entertainment and education, it rendered medical and social assistance. The Bank provided financial support to the Centre for Social Protection of Family, and has sponsored the National Olympic Committee. The Bank supervises and supports the Children's home in Straseni. According to the analysis prepared by national business journals the Bank is among the leading financial institutions as regards the ratio of its assets and the allocated charitable funds. See more on [www.ipb.md](http://www.ipb.md).
14. **Iscomagro** is a large private company located in the village of Isnovat, Criuleni. The company produces and sells agricultural production. It has made a very significant contribution to developing local infrastructure (in gas network) and has invested in many other community development projects.
15. **Jolly Allon** is one of the best hotels in Chisinau providing high quality services to a number of foreign and local customers. Within its social responsibility there are such areas as providing support to charities and monasteries, paying special attention to its customers and providing high wages and other benefits to its staff. As part of its community involvement and in partnership with the other entities the company has sponsored the 2005 European Chess Championship and other cultural and sports events.
16. **Macon** produces construction materials and is one of the oldest Moldovan companies which history goes back to the end of the XIX century. The company produces a large assortment of construction materials. It passed through several development stages and has turned to be one the most successful in its sector. The outstanding quality for its products and a particular care for its employees are the chief goals under the company's social responsibility.
17. **Moldova-Agroindbank** is the largest Moldovan commercial bank. The bank is active both as a commercial entity and as a development actor. The Bank has sponsored a number of cultural, sports and educational events. The Bank has rightly gained the image of a dedicated supporter of the national culture, art, sports and education. It has contributed to organisation of such cultural events as "Martisor" and "Doua inimi gemene" festivals. The Bank pays a special attention to its policy of providing financial support to the high education system in Moldova and to actions supporting the students themselves. As part of its permanent community responsibility the Bank has made important donations to the institutionalised children from the town of Falesti. The Moldova-Agroindbank has cosponsored many times the Scholarships Program offering scholarships to the best Moldovan students. The Bank has established a partnership with the National Olympic Committee and has contributed to the Olympic Days in Moldova and preparation of the National Olympic Team for the 2004 Olympic Games in Greece. See more on [www.maib.md](http://www.maib.md).
18. **Moldcell** started its operations in Moldova in April 2000 having launched a new phase in the development of mobile communication sector in Moldova. Being a dynamic GSM operator became leader in the implementation of new technologies and high-tech services in Moldova. Moldcell is a customer-oriented company that aims to satisfy its customers through high quality services and products. The company

displays a serious and broad involvement in development of Moldova. It identifies community involvement as one of the main part of its business culture. Moldcell has sponsored a number of social events involving children from disadvantaged families or from institutions. In 2003 the company has organized the Children Art Festival involving participation of about 2000 children from 11 Moldovan orphanages. The company has successfully worked in partnership with a number of CSOs. Moldcell has also sponsored the Ethno-Jazz Festival, an absolutely unique cultural event. The company has signed a Cooperation Memorandum with UNICEF-Moldova as a mean for implementing jointly social projects. These projects aim at preventing the human trafficking, the child abuse. The company provides its Corporate Scholarship to best Moldovan students and offers them opportunities for internship. The company unfolds its CSR-related activities in a way which enables transfer of know-how and business culture to other partners. Moldcell promotes the sense of social responsibility among its customers who have participated in a number of social events. See more on [www.moldcell.md](http://www.moldcell.md).

19. **Monolit** specializes in constructions and other related operations. It produces also its own construction materials and provides technical services and consultancy to a large number of customers. The company perceives its main social responsibility as investing in community (support provided to social canteens), caring for its employees and contributing to environmental and urban improvement projects. The company makes systematically donations to many recipients.
20. **Prevent Moldova** is a foreign owned company located in Chisinau and producing protection equipment, clothes, garments and specialized uniforms of high quality. The company identifies its social responsibility as being directed mainly to its employees and to doing charitable actions for institutionalized children. The company has a distinct responsibility for the customer satisfaction and strives to implement European standards and models in everything it does.
21. **Prietenia-Agro** is a private company active in agribusiness and is located in the Slobozia-Cremene village, Soroca district. It is producing and selling a wide range of crops and livestock products. The company is a key actor in local economic development and cooperates closely with other stakeholders. Moreover, the company's social responsibility goes beyond local community as it is helping constantly the Ungheni orphanage (even though it is located in another part of the country) to meet basic food needs and has contributed with work and money to repairing the local school. The company supplies local kindergartens with food and other basic products.
22. **Sadac-Agro** is a large agricultural company located in the village of Sadaclia, Besarabasca district. The company specializes in producing and selling crops, fruits, vegetables and meet. It is a chief local development stakeholder promoting among the local private companies a high responsibility for the community and its inhabitants. The company is sponsoring cultural events and local holidays, addresses environmental issues by implementing ecological pure technologies and provides support to local school.
23. **Steaua-Grup** is a real-estate and construction company. The company has identified its main social responsibility goals in granting financial support to a number of schools and child institutions and educating its staff an environmental culture.
24. **SunCommunications** is a foreign-owned company supplying cable-TV and Internet services. The company identifies two circles of its social responsibility. In its inner world the company has a distinct responsibility for its stakeholders and for the employees who are given high salaries and a number of training opportunities (such as MBAs, English classes, driving school and advanced accounting training for its financial team). In the outer circle of its corporate responsibility the SunCommunications has contributed with a number of community actions (such as repairing playgrounds for children) and has started the SunSchools Program with the goal of contributing to youth development through enlarged access to modern learning and training technologies. The Program comprises three projects. The SunClassrooms aims at endowing classrooms of 61 Chisinau schools with advanced learning equipment; other 20 schools outside Chisinau will be endowed in the next phase of the project. The SunScholarship provides scholarships to the best Moldovan students for they can continue their university education. The SunInternship offers students with possibilities of internship at SunCommunications. The SunSchool Program is implemented in cooperation with US Army and National Guard of the North Carolina as well as with Moldovan Ministry of Education. See more on [www.suncommunications.md](http://www.suncommunications.md).
25. **Ultracom** is one of the largest importers of computers and accessories in Moldova. Clients' satisfaction is put on highest place on the company's priorities list. As part of its social responsibility the company offers sometimes support to orphanages and schools. Also, it has a Social Program for its employees chartering clearly the company's social responsibilities for its staff and their families.
26. **Valea Plopilor** is an agricultural company located in Tochile-Raducani village, Leova district. The company produces crops, vegetables and fruits on an area of 1300 ha. It is a chief stakeholder in community development which goes through its community investment, donations and paid taxes. The company has sponsored a number of local cultural and social events and has made significant contributions to improving and upgrading the local infrastructure.
27. **Vinaria Chateaux Vartely** is a wine making company located in the town of Orhei. The company pays special attention to minimizing the ecological impact of its activity by incorporating closed-cycle production technologies. The company identified a number of beneficiaries for its community investment scheme including fire-service, a school and orphanage.

28. **Voiaj International** provides a wide range of tourism and air-ticket services. It is the largest company in its sector in Moldova. The company is known for being the first accredited by IATA. Voiaj International sees support of its employees and paying scholarships to students and high school leavers as main directions of its CSR. The company addresses the environmental issues by implementing ecologically inoffensive technologies and by recycling. See more on [www.voiaj.md](http://www.voiaj.md).
29. **Voxtel** is a mobile phone operator with foreign capital coming in Moldova in 1998. Being a dynamic GSM operator it became leader in the implementation of new technologies and high-tech services in Moldova determined to meet the growing standards demanded by its customers. The company has a wide variety of social responsibilities. It provides its staff with training and additional financial packages. The company implements environmental inoffensive technologies and respects international standards of health and safety. In its 2005 budget Voxtel made provisions for a) supporting the youth initiatives; b) contributing to improvement of the quality of life in Moldovan communities and c) sponsoring Moldovan national culture. Within its first area of action Voxtel has participated in projects preventing the human trafficking implemented in partnership with IOM. Voxtel contributes to the annual program of Scholarships for the best students in Moldovan. Over 2005 a number of projects improving the quality of life were oriented towards children living in small Moldovan towns. Playgrounds for children were built with Voxtel support in Orhei and Cahul and the third one is under construction in Comrat. The company sponsored plantation of a town-park in Floresti. Within its projects the company cooperates closely with local CSOs. Among the sponsored cultural events there are the following: international festival "Friends' Faces" in Cahul, international festival "Worlds Songs" in Comrat and others. In April 2005 Voxtel organised a nation-wide cultural event involving participation of 43 cultural institutions and with participation of inhabitants from Chisinau, Balti, Cahul, Comrat, Soroca and Ungheni. See more on [www.voxtel.md](http://www.voxtel.md).
30. **Zorile** is one of the largest producers of footwear for children, men and women in Moldova maintaining jobs for about 1300 employees. This is one of the most respectable national producers which history begins in 1945. The company has achieved high economic performances due to implementing advanced managerial practices and due to its particular responsibility to satisfy the client. The factory sees its employees and stakeholders as inner world of social responsibility. Besides, it provides support to schools, kindergartens and social canteens as part of its external social responsibility.

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