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Department of Political Science
Subject: International Public Policies

The role of national public policies in the development and diffusion of corporate social responsibility (CSR) practices in Western and Central Eastern Europe

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Academic Year: 2015/2016

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Introduction

Over the last decades, the "loss of public trust in individual companies (e.g. the cases of ENRON, Parmalat, BP, Nike, etc.) and in the whole economic system" has prompted the spread of concepts such as corporate social responsibility, corporate citizenship, corporate governance, corporate sustainability etc. (Martinuzzi *et al.,* 2011, p. 6). Such concepts stem from the idea that the business and financial sectors have the duty to contribute to the creation of a better society.

Notwithstanding the wide diffusion of CSR, and Socially Responsible Investment (SRI) in Europe, especially during the last 10/15 years, and the role played by the European Union, international and intergovernmental organisations and civil society in promoting sustainable development, a considerable gap exists between Western and Central Eastern European (CEE) countries, concerning the diffusion of CSR practices (Steurer *et al.*, 2012).

Thus, my work will be aimed at answering the following research question:

RQ: *Why is there a gap between the number of CSR practices adopted in Western and Central Eastern European countries*?

The CSR gap between the two European regions could be a direct consequence of the lack of CSR public policies in CEE countries.

Indeed, while Western European countries are generally considered by scholars and experts to be the international frontrunners concerning CSR public policies, a survey, conducted by Mazurkiewicz et al. in 2005, showed that CEE companies identified the lack of government involvement and of appropriate regulation as the two main key barriers to the adoption of CSR practices. By now, a number of political strategies and plans have been announced by CEE countries but, it is not clear to which extent the public policies previewed are credible or correspond to rhetoric. The lack of official data makes difficult to answer to this question but some evidences seem to indicate the persistence of what the United Nations Industrial Development Organization (UNIDO) defined, in 2007, as "absence of clear determination of the state" to pursue the aims declared (UNIDO, 2007, p.10).

The definition of CSR is widely debated and implies ethical and economic considerations. Indeed, while in past CSR was usually considered to be a concept linked to philanthropy and implying voluntary contributions of social goods to society by firms, a more modern approach

tends to see CSR as a concept combining a strategic approach to stakeholder management and a holistic business strategy considering economic, social and environmental issues.
Such an approach to CSR is "based on the triple bottom-line principle, which adds social and environmental concerns to the profit maximization bottom line" (Martinuzzi *et al* 2011, p.8). In this perspective, firms act following the logics of profit maximization but they are also expected to contribute to social development, "maximizing synergies and minimizing trade-offs between economic, social and environmental stakeholder interests" (ibid.).
An approach based on the triple bottom-line principle allows me to include into the field of CSR practices also financial instruments, such as socially responsible investments and social impact investments, through which private actors are supposed to voluntary contribute to society and environment and, at the same time, to realise profits.
My research is especially influenced by concepts proper of the rational choice institutionalism and of the calculus approach. Therefore, on the basis of academic references, I will consider some generally recognised outcomes of CSR practices (such as public trust in companies and the economic system, good reputation and pre-emption of more restrictive and demanding national or international laws) as public goods for private actors, and, as such, subject to collective action dilemmas involving coordination and collaboration problems. Indeed, at the basis of my work there is the instrumental assumption that private actors behave strategically, while institutions can contribute to solving collective action dilemmas by providing information, creating a level playing field by means of regulation, and rewarding collaboration with financial incentives.
However, the calculus approach is characterised by some drawbacks. Firstly, to assume that firms act in a perfectly strategic way, is likely to be too simplistic. Secondly, rational choice institutionalism does not consider sociological and historical elements that could be useful to analyse links between the dependent variable and possible intervenient and antecedent variables that are likely to emerge. Therefore, I will integrate my theoretical framework with references to the "cultural approach" and to historical and sociological institutionalisms.
The cultural approach stresses that individuals tend to establish "routines or familiar patterns of behaviour to attain their purposes" and to interpret situations rather than purely calculate costs and benefits (Hall and Taylor, 1996, pp.7). In other words, such an approach does not deny the rationality of human action but, at the same time, it underlines the importance of the ossification of certain strategies into worldviews that can "shape even the self-images and basic preferences of the actors involved in them" (*ivi.*, p. 9). This means that some practices,

if institutionalised, could be no more evaluated through a mere "logic of "consequences" but also though a "logic of appropriateness".

The concept of institutionalisation of individual practices is linked to both historical and sociological institutionalism. The former focuses on historical path dependencies and critical junctures, and thus it is useful to explain why informal institutions, such as forms of business governance, arise, change or persist.

The latter focuses on the processes of internalisation of norms and values to which an individual is subject when socialised into an institution. Governments can pay a key role in such a process. Indeed, they can promote new corporate governance systems that over time become institutionalised influencing the self-images of participating firms which, as a consequence, progressively absorb values initially promoted by the governments. This dynamics can, in turn, favour the diffusion of new business models based not only on the logic of profit-maximisation but also on the logic of appropriateness.

Assuming that the lack of CSR national public policies aimed at solving collective action dilemmas in CEE countries, has contributed to creating a gap between the number of CSR practices adopted in Western and Central Eastern European countries, my hypotheses are the following:

H1: National public policies deploying **financial instruments** are able to influence the cost/benefit calculus, made by private actors, in favour of the implementation of CSR practices.

H2: National public policies deploying **legal instruments**, which contribute to creating a level playing field and limit private actors' propensity to act as free riders, increase the number of CSR practices implemented within the private business and financial sectors.

H3: National public policies deploying **informational instruments**, by affecting the choice-agenda and providing information which reduce uncertainty, contribute to solving coordination problems and increase the number of CSR practices implemented within the private business and financial sectors.

In my research I will focus on target group effectiveness, that is "the degree to which the target group responds to the policy and as intended by that policy" (Gysen *et al.*, 2006 p.100), and I will try to assess two elements in order to prove a causal connection between the independent variable (national public policies) and the dependent variable (diffusion of CSR practices): causal proximity and causal contribution.

Causal proximity corresponds to the validity and strength of the correlation between two variables, while causal contribution indicates to which extent the dependent variable is correlated to the independent one as opposed to other variables "in a multi-correlation relationship with an event" (*ivi.*, p. 107).

To assess causal proximity, I will use data concerning all the EU Member States in order to measure the CSR gap and assess its features, and then I will analyse national CSR strategies adopted by single Western and CEE countries, in order to detect possible correlations between public policies and CSR practices.

To measure the CSR gap, I will take different parameters into account, namely: CSR engagement (strategy, stakeholder engagement, governance, performance management, public disclosure and assurance), CSR penetration (CSR initiatives, environmental and social standards, 'best-in-class' rankings and ethical investment stock exchange indices), the number of non-financial reports published on the Global Reporting Initiative (GRI) list, and the size of national SRI management markets. To do that, I will use indirect surveys (UNDP, Eurosif) the GRI database and an index elaborated by Skouloudis (2014) to obtain quantitative and qualitative data.

To analyse CSR public policies, I will assess features of the CSR strategies and single public policies adopted by Western and CEE governments and their impact on the target group. In particular, I have selected four Western European countries and five CEE countries, on the basis of the ideal typology models trough which Albareda *et al.* (2007) and Letica (2008) grouped European countries. The states that I have selected as case studies are: Poland; Bulgaria; Estonia, Lithuania and Latvia (grouped together as Baltic States); the UK; France; Spain; and the Netherlands. Concerning the temporal dimension, for each state I have decided to use a time series covering indicatively the period between 2001 (the year in which the European Commission published the Green Paper "Promoting a European Framework for Corporate Social Responsibility") and 2014, in order to analyse how CSR strategies and governmental approaches have been changing over time, also in relation to historical critical junctures. In particular, I will focus on regulatory frameworks concerning non-financial disclosure, on public policies aimed at increasing CSR awareness and on incentives to private

actors to increase SRI. Finally, I will also analyse a significant case study, the Dutch "Green Fund Scheme". Indeed, I consider such an instrument to be a significant evidence that national public policies providing economic benefits are able to influence the cost/benefit calculus, made by private actors, in favour of the implementation of CSR practices.

The data collected are qualitative and based on the classification of CSR public policies proposed by Steurer *et al.* (2012). Considering the qualitative nature of my data, I will use a document analysis based on academic and governmental sources, as well as on data provided by private and international organizations committed to assess private contribution to society and environment (OECD, Eurosif, UNDP, GRI, etc.).

According to Gysen *et al.*, causal contribution can be analysed through a set of methodologies referred to as the "hermeneutic methods" (Gysen *et al.*, 2006, p.107) . One of these methods is to "base the evaluation methodology on the causal claims embedded in a variety of *grand policy theory*" (*ibid.*). Therefore I have chosen to use a deductive hermeneutic method based on the institutional theory and, especially, on concepts proper of the rational choice institutionalism and of the calculus approach.

I have chosen to focus on CSR for my final dissertation because of the connections of this subject with a concept that I personally consider fascinating: sustainable development. In particular, I am really interested in win-win situations allowing society to pursue economic development without compromising neither environmental resources nor social progress and cohesion, thus empowering future generations to meet their aspirations and needs.

In that respect, as underlined by the EU Commission, CSR practices consistently contribute to sustainable development and, at the same time, bring benefits to enterprises in terms of "risk management, cost savings, access to capital, customer relationships, human resources management, and innovation capacity" (European Commission, 2011, p. 3).

The win-win dimension of the outcomes arising from the implementation of CSR practices is highlighted also by Pietro Negri (2014), CSR Manager at the Italian National Association of Insurance Companies (ANIA). In particular, Negri underlines the positive returns of non-financial disclosure:

- For investors, who show an increasing focus on sustainability criteria, no longer considering sufficient investment analysis merely based on profit. Indeed, by including environmental and social governance (ESG) elements into a systematic financial analysis of enterprises, investors are able to better assess risk and investment opportunities.

- For stakeholders, who are allowed to assess the quality of the corporate risk management system, including risks relating to social and environmental aspects.
- For the same enterprises, which improve their risk management capacities, strengthen communication and direct the allocation of resources on intangible assets, such as human capital, providing competitive advantages on the medium/long term.

Nowadays, even in light of the recent Volkswagen emission scandal, transparency and business commitment to sustainable development principles are of capital importance for our society. In this respect, the new EU strategies for CSR and non-financial disclosure could give an important contribution to the diffusion of concepts linked to sustainability and transparency, coordinating and harmonizing national public policies and regulations.

The study consists of three parts. In the first part I will define CSR explaining the connection between this and other related concepts such as corporate governance, civil regulation, corporate citizenship, corporate sustainability and sustainable development. I will also describe the approach to CSR based on triple bottom-line approach and, finally, I will provide my theoretical framework explaining why I have decided to base my evaluation methodology on new institutionalism.

In the second part I will contextualise CSR, delineating the international and European policy framework. Then, I will provide an overview of the most diffused CSR practices and of the national public policies studied in my analysis, distinguishing the different types of policy instruments and their fields of action.

In the third part I will analyse the collected data, trying to prove the validity of my hypotheses and answer my research question.

Part I - Theoretical Framework

1. Defining CSR

1.1 Global Corporate Governance

The difficulties in creating an efficient set of rules at the governmental level to regulate business, due to the ever more transboundary dimension of trade and the related problems to find intergovernmental agreements on social and environmental issues, have produced a "structural imbalance between the size and the power of global firms and market" and the ability of governments to "make global firms politically accountable" (Vogel, 2009, p. 194).
New actors, namely the multinational enterprises (MNEs), have become the drivers of the process of globalisation and "garnered significant political and economic influence, stemming mostly from the wealth they produce" (Herrmann, 2004, p. 210). As such, states have lost their centrality in the process of globalisation, since their laws can be bypassed by "multinational actors who simply decide to move aspects of their operations elsewhere or establish parallel, if not competing, legal regimes that cater primarily to their interests." (Aman,1998, pp. 780-781).
Even if "wealth, power, and resources of MNEs make them indispensable for their home countries, host countries, and the global community" (Herrmann, 2004, pp. 211), the lack of an efficient system of regulations limiting the power of MNEs, can make detrimental their presence, especially in developing countries having less tools to counteract the political and economic influence of such global actors.
Indeed, companies often act pursuing a logic of profit-maximisation which can be in contrast with social and environmental concerns. For instance, "lower environmental and labor standards of foreign direct investment targets are appealing to MNEs because such a lenience boosts production efficiency and increases competitiveness in the short term, thereby enhancing bottom line profits and productivity" (*ivi.,* 212).
Since national laws do not apply at the international level, bilateral agreements are often ineffective to regulate MNEs, due to the possibility for corporations to choose where moving their activities and to their related capacity to trigger "races to the bottom" in labour and environmental standards, among countries competing to attract foreign investments. As a consequence, such difficulties " have led to calls for alternative forms of governance "above the state, in the form of international regulation, and "below" the state , in the form of both of

nongovernmental organization (NGO) efforts to challenge state regulation and of business initiatives for self-regulation" (Abbot and Snidal, 2009, p.68).

In particular, the increase of political and social pressures on business, even as a consequence of the explosion of the role and influence of NGOs in the last decades, and the decreasing capacity of governments to adequately regulate the behaviour of multinational enterprises, have produced a dramatic expansion of civil regulation, that is norms "based on soft law or private law rather than legally enforceable standards" and that typically employs private, non-state, market-based regulatory mechanisms, such as producer certification, product labelling, third-party auditing, and information disclosure (Vogel, 2009, p.189).

Civil regulations are aimed at reducing externalities of business in terms of environmental and social damages and have often their origins in naming-and-shaming campaigns against particular enterprises or entire sectors.

Indeed, firms are interested to avoid public criticism and to pre-empt the risk of the adoption of more stringent governmental rules, since the flexibility of civil regulation represents a noteworthy advantage in comparison with the rigid norms of hard law.

In other words. since civil regulations can be implemented without excessive influences on the market, they are more appealing for firms, and often for governments which decide to incentive them. As a consequence civil regulations has entered into the business strategy of a number of MNEs as a component of their risk management and public relations policies (Vogel, 2009).

However, self-regulation is only part of the "plethora of non-state and public-private governance arrangements focused on setting and implementing standards for global production in the areas of labor rights, human rights and environment" (Abbott and Snidal, 2009, p.67).

Such a new form of transnational regulation is defined by Abbott and Snidal as "regulatory standard-setting" (RSS) (*ibid.*). RSS schemes can be controlled by states, firms or NGOs, by one or two of these actor types or also, in some cases, through a tripartite structure. The regulatory process is composed of five tasks, namely agenda setting, negotiation, implementation, monitoring and enforcement (ANIME). There are four key competencies for an effective RSS scheme: independence (important for A M E); representativeness (for N E); expertise (for ANIME); and operational capacity (for I M E).

In the domestic context, states have often all of these four competencies, while, in the transnational context, they have less operational capacity and information than firms. Finally, they lack business expertise both at the domestic and the transnational level.

By contrast, firms "have strong operational capacity [...], internal authority and access, and managerial systems" (Abbott and Snidal, 2009, p. 89). These characteristics, summed to business expertise, make firms the more efficient actors in relation to the stage of implementation. At the same time, firms especially lack independence, so they do not have the same legitimacy and credibility of states, and of the most important and recognised NGOs, so they are not the best actor type in the fields of monitoring and enforcement of the rules of business standards and codes of conduct.

Therefore, it is difficult for a single actor type to manage all the stages of the regulatory process and, thus, collaboration is the best strategy for an effective regulatory process.

All in all, as the lack of efficient systems of monitoring and of incentives favour the presence of free riders which elude or simply do not approve civil regulations, states can still play an important role in global business governance:

a) by promoting and supporting, both politically and economically, civil regulation;
b) by agreeing on new international standards limiting the space for the exercise of discretion by firms;
c) by setting requirements for transparency and disclosure of data by firms.

1.2 The ethical and the economic arguments for CSR

The emergence of a new global corporate governance based on the implementation of RSS schemes by firms and on civil regulations is part of a quite recent change of perspective on the role of firms within the society. In particular, the redefinition of societal interests and advocacy has put into the forefront of corporate and state concerns a concept evolving since the early twentieth century: corporate social responsibility. Indeed, according to Steurer, new governance and CSR are "complementary concepts that fundamentally reshape the roles of the public and the private sector" and that "require and shape each other" (Steurer, 2011, p. 270).

While new governance highlights that governments are not able anymore to deliver public services and achieve public policy goals through hierarchical governance, and that networks and partnering policy instruments have become new government tools, CSR indicates that "the private sector has accepted the sharing of public responsibilities in recent years, not entirely voluntary but rather due to pressures exerted by various non-state stakeholders" (*ivi.,* pp. 270-271).

In addition, CSR has partially shifted the focus from the global to national level, with regard to the contribution of enterprises to social and environmental concerns. Indeed, the adoption of national strategic plans and public policies to promote and incentivise the implementation of CSR practices, has allowed not only for the diffusion of the basic ideas of CSR among the MNEs, but also their extension to the small and medium-sized enterprises (SMEs).
First of all, in order to define CSR, it is important to analyse all the components of such a concept. According to Doh and Guay, CSR refers to the "actions taken by firms intended to further social goods beyond the direct interests of the firm and that which is required by law" (Doh and Guay, 2006, p. 47). In this definition we can observe some relevant elements, such as the subject acting, namely the firm, the supposed outcome, that is the enhancement of society, and finally the *conditio sine qua non* for CSR, that is the absence of constrictions imposed by law.
Indeed, since CSR surpasses legal requirements, its practices are to be voluntary implemented by firms which must have "the flexibility to choose those approaches that better suit their individual situation" (Herrmann, 2004, p.229).
What is more debatable in such a definition is the idea that CSR practices only produce outcomes going beyond the interests of firms. Indeed, there is not an unanimously accepted agreement among the academics about which should be the reasons behind the implementation of CSR practices. In the above-mentioned definition, CSR actions do not correspond to the interests of firms and their shareholders, a position supported by the so-called ethic argument and by the corporate citizenship approach.
The concept of corporate citizenship, that has been coined in the late 1990s, reinforces "the view that a corporation is an entity with status equivalent to a person", and emphasises "the idea that corporations have rights and duties" (Valor, 2005, pp.193, 195) . However, since such rights are not equal to those of a "real" citizen, corporate citizenship is considered by some authors as a "fictional concept" to be used to highlight that firms "are public powerful actors, which have responsibilities to respect those real citizens' rights in society" (*ivi.,* p. 195).
By contrast, Hartman *et al.,* whose research focuses on communication of CSR, highlights a dual motivations for CSR. On the one hand, the citizenship or ethical perspective is based on the aforementioned argument that "corporations reap the benefits of serving as a community citizen and therefore owe a congruent contributory obligation to the community" (Hartman, 2007,p. 374). On the other hand, the economic and strategic argument "states that the incorporation of CSR can lead to differentiation and competitive market advantage for the

business" (Hartman, 2007,p. 374), as demonstrated by the case of Nike, harshly criticised in the 1990s, because of the mistreatments of workers perpetrated by its global suppliers, and then emerged, in the second half of the 2000s, as one of the leading corporations in corporate sustainability, establishing a positive brand, thanks to a strong CSR policy. However, Hartman underlines that over time the distinction between the citizenship and economic approaches has become less clear, since the "philanthropic formulation of citizenship" evolved "into a strategic philanthropy that involves the satisfaction of the demands of the firm multiple stakeholders" (*ivi.*, p. 375).

The dual motivation for CSR is also highlighted by Herrmann, who states that the concept of CSR implies that a corporation is not "just a self-centred profit-making entity, but that a company and its actions are also integral to the economy, society, and environment in which they occur" (Herrmann, 2004, p.206). At the same time, Herrmann underlines the positive returns deriving from CSR for corporations, which should use a more holistic approach to business, going beyond the bottom line of profit-maximisation , and elaborating a strategy "that integrates socially responsible practices, a [...] analysis of profit, return on investment (ROI), or return on Equity (ROE) as the bottom-line should be replaced by a "triple bottom-line" approach, encompassing economic, social, and environmental factors" (*ivi.*, p. 207).

1.3 Triple bottom-line approach, sustainable development and corporate sustainability

According to the triple bottom-line approach to CSR, firms are not only interested to the economic sphere but they are also concerned by social and environmental issues. Indeed, according to Steurer, "while new governance replaced the once popular formula "Public vs. Private" [..] with "Public + Private [..], CSR and public policies fostering CSR take this transition one step further to "Public within Private, or the public role of private enterprises" (Steurer, 2011, p.271). The assumption of a public role by firms seems to be fostered by a growing acknowledgement, among the same firms, that financial, social, and environmental goals can all be pursued at the same time, in order to reach sustainable business models.

Triple bottom-line approach is not only at the basis of CSR, intended as the result of a holistic approach to business, but also of other two concepts: sustainable development and corporate sustainability. Sustainable development can be defined as "development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations" (WCED, 1987, p.43). Sustainable development corresponds to the

application of the triple bottom-line approach at the governmental level, since it usually implies "some sort of regulatory force" to integrate "economic, social and environmental issues in all societal spheres and levels" (Steurer *et al.,* 2005, p.264). By contrast, the application of sustainable development principles as part of a business strategy is often referred to as corporate sustainability.

As stated by the Dow Jones Sustainability Index, an influential ethical fund index, corporate sustainability is "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments." (Vogel 2005, p.11). If we interpret CSR accordingly to the triple bottom-line approach, it is difficult to find differences between CSR and corporate sustainability. However, according to Steurer *et al.*, CSR implies a more limited temporal dimension and more specific goals, compared to corporate sustainability. Indeed, CSR is defined as "a voluntary management approach" whose aim is to meet specific and present demands of stakeholders in order to "secure resources, which are vital for the company's performance in the near future" (Steurer *et al.*, 2005, p. 274). Considering CSR as a management approach, economic aspects like short/medium term profitability, are intrinsically part of the concept (Steurer *et al.*, 2005). Indeed firms do not abandon their commitment to the realisation of profits but they are also expected to meet the demands and expectations of stakeholders and to give their contribution to sustainable development, "maximizing synergies and minimizing trade-offs between economic, social and environmental stakeholder interests" (Martinuzzi *et al.,* 2011, p.8), with the aim "to achieve social development while achieving business success" (Dutta, 2012, p.145).

Thus, CSR is considered to combine a strategic approach to business and stakeholder management, with direct or indirect contributions to sustainable development, through the implementation of standards, investment programmes and agreements with states and stakeholders.

Such an approach will be particularly useful for the aims of my work, since it permits to include under the umbrella of the concept of CSR also investments and financial assets through which private actors are supposed to voluntary contribute to society and environment and, at the same time, to realise profits in the long or even in the short/medium term and that can be included, for such reasons, in the array of Socially Responsible Investments (SRIs) and social impact investments.

However, if we consider CSR as a stakeholder management approach being part of a holistic business strategy considering economic, social and environmental issues, we should refer to firms as rational actors who, as such, act accordingly to some sort of cost/benefit calculus.
As a consequence, as already seen for RSS process, firms lack legitimacy and credibility in comparison to states and NGOs, since they could have no interests to effectively monitor and enforce the implementation of their announced CSR strategies. Thus, states play a key role in creating a regulatory framework favouring business transparency and disclosure of non-financial information. In addition, it is often difficult for firms to calculate long-term benefits stemming from CSR practices which are still considered, by a number of firms, as useless and expensive. Thus short-term profit motivations could be "a countervailing force to the adoption of CSR policies for all but the most community-minded corporations" (Herrmann, 2004, p. 220).
All in all, in order to favour the implementation of CSR practices, state interventions regulating and promoting the development, adoption and diffusion of standards and best practices, and providing economic incentives could be necessary.

2. New institutionalism and CSR

The aim of my work is to analyse the efficiency of national public policies in increasing the number of CSR practices implemented by private actors. As I have already mentioned, the definition of CSR as a managerial approach to a holistic business strategy based on the triple bottom-line principle is the one that I consider the most useful to answer my research question. Indeed, considering CSR only as the result of a rational choice of private actors interested to pursue their interests allows me to exclude some intervenient variables that would make very difficult to generalise individual behaviours, such as the personal philanthropic preferences of managers that could be interested to give positive contributes to society and environment without any possible returns. In addition, since rational actors are expected to act following a cost/benefit calculus, this approach allows me to focus my analysis on two fundamental issues which often deter firms from the implementation of CSR practices: 1) the difficult assessment of possible competitive advantages stemming from CSR practices and 2) the existence of collective choice problems concerning coordination and cooperation among firms.
Concerning the first point, the idea that gains for business can arise from CSR is at the core of the strategic argument for CSR and of the triple bottom-line principle. However, as stated by

Martinuzzi *et al.*, "the assumption that CSR leads to competitive advantage is not self-evident, as high social and environmental standards lead to higher production costs in the short run" (Martinuzzi *et al.*, 2011, p. 13) Indeed, since a broad variety of definitions, approaches and indicators is employed, empirical studies examining the competitive advantage of CSR come to "rather different and sometime contradicting conclusions" (Martinuzzi *et al.*, 2011, p. 13). Notwithstanding, a number of firms behave in socially responsible ways. Thus, it is particularly interesting to explore those factors that can contribute to making CSR tempting for private actors.

Concerning the second point, according to the classical Olson's rational choice theory, a rational actor, interested only to minimise externalities and maximise profits, will never participate to collective actions. Indeed, since an individual "has a negligible impact in large-scale collective actions, and because the benefits obtained in such actions are public and cannot be withheld from those who not participate in collective action [the individual] will be a free rider" (Miller, 1992, p.24). How free rider's problem is connected to CSR can be deduced by what Vogel states about civil regulation. Indeed, according to him, MNEs often adopt civil regulation that also govern their competitors principally to respond to two issues. Firstly, "adopting higher social and environmental standards can raise a firm's costs, while persuading their competitors to adopt similar standards creates a more level playing field" (Vogel, 2005, p.203). Thus, the adoption of civil regulation in a competitive market populated by strategically rational actors (firms), become a collective action and, as such, exposed to coordination problems, since firms which would be available to implement CSR practices could be deterred by losses of competitiveness. Coordination among actors can be resolved through the institutionalisation of governance systems, favoured by the dissemination and promotion of best practices. The same logics can by extended to any other CSR practices since, as we have already seen, competitive advantages deriving by long term CSR positive effects are not always clearly assessable and can be shadowed by short term costs.

Secondly, "the public often does not distinguish among the social or environmental practices of firms in the same industry", thus when some scandals emerge because of bad practices of single firms, the entire industry can be damaged (*ivi.*). Thus, reputation can be considered to be a public good. As a consequence, some firms, and especially the littlest and less visible ones, could strategically decide to defect and to take advantage of the positive reputation of their sector, without giving any contributions through CSR practices, thus acting as free riders.

Since economic competition sometimes can lead to market failures and socially irresponsible behaviours, institutions can play a very important role in providing a favourable environment for the implementation of CSR practices. Therefore I will try to analyse which institutional conditions influence the propensity of private actors to implement CSR practices.
My attempt to answer to the hypotheses formulated in the introduction to this work will be especially influenced by the rational choice institutionalism and by the calculus approach.
The institutional approach to CSR is focused on "how institutions constrain and enable behaviour and argues that institutions beyond the market are often necessary to ensure that corporations are responsible to the interests of social actors beside themselves" (Campbell, 2006, p. 926). The rational choice institutionalism declines this assumption accordingly to some core assumptions of the rational choice theory. In particular this theory is based on the "calculus approach" which assumes that individuals have fixed sets of preferences and that they try to maximise the attainment of such preferences acting strategically. As a consequence, they see politics (and for extension governance) as "a series of collective action dilemmas" that can be defined as "instances when individuals acting to maximise the attainment of their own preferences are likely to produce an outcome collectively sub-optimal" (Hall and Taylor, 1996, p. 12), as the aforementioned connection between market failures and socially irresponsible behaviours demonstrates. Indeed according to this theory, actors are motivated by "a logic of instrumentality" (Campbell, 2006, p.929) while, on the other hand, institutions are seen as "formal and informal rules and associated monitoring and sanctioning mechanisms" that constrain actors' behaviour, thus increasing "the likelihood that corporations will behave in socially responsible ways" (*ivi.*, pp. 929, 931). Therefore, by providing rules and mandatory legal framework, public authorities can contribute to creating a level playing field and limit private actors' propensity to act as free riders. Moreover, institutional actors can "entice actors to behave in certain ways through the provision of more positive incentives, rewards, and other mechanisms (*ivi.*, p.932) and affect the choice-agenda and provide information that "reduce uncertainty about the corresponding behaviour of others" and lead to "potential better social outcomes" (Hall and Taylor, 1996, p.12) . Thus, such an approach is particularly useful to study all the possible "carrots and sticks" that states can deploy in order to solve cooperation and coordination problems by discouraging actors to behave as free riders and by promoting and broadening the diffusion of socially responsible practices.
In addition, through the lens of the rational choice theory, corporate governance and RSS schemes can be explained in functionalist terms, since, according to this theory, institutions

(intended in this case as informal rules) are considered to be created by actors through voluntary agreements in order to obtain benefits and gains only realisable by means of cooperation (Hall and Taylor, 1996), such as, concerning civil regulation and RSS schemes involving firms, good reputation and pre-emption of more restrictive and demanding national or international laws.

However, the calculus approach is characterised by some drawbacks. Firstly, the assumption whereby firms act in a perfectly strategic way and thus are able to correctly perceive all the possible effects stemming from the creation of new institutions, or from the implementation of CSR practices, is likely to be too simplistic or, at least, not applicable to every case study. Secondly, rational choice institutionalism does not consider sociological and historical elements that cannot be simply ignored and that have necessarily to be included in my analysis. Therefore, I will have to integrate my theoretical framework with references to the "cultural approach" and to historical and sociological institutionalisms.

The cultural approach "stresses the degree to which behaviour is not fully strategic but bounded by an individual's worldview" (Hall and Taylor, 1996, p.7). In other words, this approach does not deny the rationality of human behaviour but, at the same time, it underlines that individuals tend to establish "routines or familiar patterns of behaviour to attain their purposes" and to interpret situations rather than purely calculate costs and benefits (*ivi.*, pp. 7-8). Thus, institutions do not only influence individuals' behaviour by providing "strategically-useful information" but also affecting their "very identities, self-images and preferences" (Hall and Taylor, 1996, pp. 7-8).

Historical institutionalists use both cultural and calculus approaches to study the relationship between individuals and institutions. Indeed, their analyses suggest the ossification of strategies into worldviews that, if propagated by formal institutions, can "shape even the self-images and basic preferences of the actors involved in them" (*ivi.*, p. 9). This could mean that socially responsible practices implemented by a single firm, especially if large and publicly visible, could affect the preferences (and values) of other firms. Indeed "what begins as a primarily defensive response or largely rhetorical commitment can, over time, become viewed as legitimate" by other firms that accept socially responsible practices as part of a more holistic and transparent managerial strategy (Vogel, 2005, pp. 203-204). Thus CSR practices, if adequately promoted and propagated by institutions, can be subjected to a process of institutionalisation, shifting corporate motivation to implement socially responsible practices and participate in non-state governance systems from "a logic of "consequences" to a "logic of appropriateness" " (*ibid.*).

Concerning the creation of new institutions, historical institutionalists use an approach based on path dependency and unintended consequences. Such an approach is different from the one used by the rational choice institutionalists but not necessary incompatible. Indeed while the functionalist approach provides a more convincing explanation for the persistence of institutions, the historical one seems to better apply to the problem of how institutions generate and change. According to historical institutionalists, institutions are "relatively persistent features of the historical landscape and one of the central factors pushing historical development along a set of paths" (Hall and Taylor, 1996, p.9). Indeed institutions are considered to give to some social groups disproportionate access to power and to encourage "societal forces to organise along some lines rather than others, to adopt particular identities, or to develop interests in policies that are costly to shift" (*ibid.*). Therefore, many historical institutionalists divide history into periods of continuity interrupted by "critical junctures", that is "critical moments when substantial institutional change takes place" (*ibid.*). Critical junctures can appear to be because of socio-economic developments or because of the diffusion of new ideas. This dynamics seems to convincingly explain the spread of CSR over the last decades, since economic crises, scandals and consequent losses of public trust towards MNEs have pushed civil society and states to question neoclassical economy's principles, favouring the creation of new forms of business governance based on the triple bottom-line principle and on the idea that firms have responsibilities not only towards shareholders but towards the whole society.

Even if my analysis will not include ethical values of managers, I cannot completely ignore the normative dimension of the institutional impact on firms' behaviour. Indeed, according to sociological institutionalists, "individuals who have been socialized into particular institutional roles internalize the norms associated with these roles, and in this way institutions are said to affect behaviour" (Hall and Taylor. 1996, p.15). This assumption can be relevant for the aims of my work, since formal institutions both at the international (such as international organisations) and at the national level (governments) can influence firms to create governance systems, based on participation to multi-stakeholder forum, business networks or public-private partnerships, which, over time, become subject to a process of institutionalisation, influencing the self-images of firms which absorb the values initially promoted by the formal institutions. With regards to European countries, the European Union is particularly important in this sense, since it is a very active value builder and propagator.

In addition, if we intend legitimacy as the generalised perception of the appropriateness and desirability of socially constructed values and beliefs (Doh and Guay, 2006), by selecting

values and interests which deserve to be promoted, institutions have the possibility to enable certain stakeholders, instead of others, to influence firms. Indeed, according to the stakeholder theory, firms try to establish trusting cooperative relationships with the stakeholders that can positively influence the societal perception of their legitimacy. Therefore, CSR could be considered “in terms of the contracting relationship” between firms and those stakeholders that “deserve or require management attention” (Doh and Guay, 2006, pp.55-57).

In conclusion, rationality of actors could be demonstrate to be limited, since it is possible that organisations adopt a new institutional practice, not only to maximise the satisfaction of their preferences, but also because it is considered to be likely to enhance “the social legitimacy of the organisation” (*ivi.*, p.16).

The coexistence of the three institutionalist approaches is not impossible if we consider actors to be driven by goal-oriented strategies that however are “likely to be circumscribed by a culturally-specific sense of appropriate action” (*ivi.*, p.23). Thus, my analysis should also explain to which degree CSR practices are used strategically by firms and to which extent they are the product of institutionally structured values and perceptions.

Part II - CSR practices and public policies

As stated by Steurer, "business practices that were explicitly referred to as CSR emerged in the US in the 1950s" (Steurer, 2010, p.5). Indeed, the first examples of corporate governance and CSR practices were "made in the USA", since the first codes of conduct were written in the 19th century by American pharmaceutical firms (for instance Merck and Bristol Myers) and, by the 1980s, "the U.S had over 100 mutual and investment funds that screened investments based on company's human rights or environmental performance" (Aaronson and Reeves, 2002, pp.3-4). However, over the years the concept of CSR spread across the rest of the world and especially towards the other side of the Atlantic Ocean, to the extent that nowadays Europe is considered to be a leader in CSR and CSR policies (Steurer, 2010).

The frontrunner in Western Europe was the UK where, starting from the 1970s, CSR was firstly discussed and then gained further prominence, in the 1980s, as object of public policies and discussions (Aaronson and Reeves, 2002).

In recent years, European governments have increased their attention to CSR, adopting soft, and rarely hard, public policy instruments to facilitate and shape socially responsible business practices. In particular states are committed to create a favourable environment for the flourishing of CSR practices.

1. CSR practices

According to Aaronson , there are three primary CSR instruments that are employed, both singularly and combined, by companies, namely written codes of conduct, certification strategies and disclosure or reporting (Aaronson, 2007).

Codes of conduct are "formal statements of the values and business practices" (Aaronson, 2007, p. 6), which "provide guidance and prohibit certain kinds of conduct" to the companies and their employees, or even to their suppliers (OECD, 2009, p.238). Codes can be "firm specific" or even "sector specific" (*ibid.*).

Certification strategies "allow firms to use third-party or self-initiated audits to reassure their stakeholders that their factories meet internationally accepted standards" (Aaronson, 2007, p.7). In particular, certification and labelling initiatives "aim to provide purchasers

(consumers and businesses) with what is viewed as reliable information to make purchasing decisions" (OECD, 2009, p. 238).

Reporting or disclosure strategies allow firms to analyse "their own performance and explain to their stakeholders how well the firm has progressed towards meeting social and environmental norms" (Aaronson, 2007, p. 7). In particular, sustainability reporting presents economic, social and environmental impacts of the company, as well as its values, governance model and strategies linked to sustainable development[1]. Reporting standards are often set up by independent and accredited auditors, such as the Global Reporting Initiative (GRI).

To the aforementioned CSR practices, we can add social responsible investments (SRIs) and social impact investments, to which I will dedicate the next paragraphs.

According to Martinuzzi *et al.*, following the triple bottom-line approach, CSR instruments "focus on different key subjects of CSR" involving concerns about economic, social and environmental issues but they also cover "a wide range of sub-issues" (Martinuzzi *et al.*, 2010, p. 16) which are illustrated in the table 1, based on the most known international documents on CSR.[2]

CSR – Economic topics:	**CSR – Environmental topics**
• Pursue sound corporate governance practices • Ensure transparency through economic, social & environmental reporting • Engage in fair competition • Foster innovation • Combat bribery & corruption • Employ Socially Responsible Investment • Protect intellectual property rights • Offer safe and high-quality products/services • Foster sustainable consumption & production • Implement sound risk management systems	• Support the protection of air and water, land biodiversity • Minimize the amount of toxic substances, emissions, sewage and waste • Conserve natural resources, apply renewable energy & avoid the usage of raw materials • Engage in climate protection • Boost innovation for improvement in efficiency • Consider the whole product life-cycle, facilitate reusability & recyclability of products
CSR – Social topics	**CSR – Global topics**
• Engage in fair and efficient Human Resource Management • Guarantee safety, occupational health & security • Respect freedom of association • Abandon discrimination & encourage diversity • Respect consumer interests	• Raise stakeholders' awareness for social & environmental topics • Practice sound stakeholder management • Facilitate sustainable supply chains • Respect Human Rights • Engage in poverty reduction • Participate in the development of public policies

Table 1: List of generic CSR topics (Martinuzzi *et al.*, 2010, p. 6)

[1] https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx

[2] Such as the OECD Guidelines for Multi-National Enterprises, the Global Reporting Initiative (GRI), the UN Global Compact, ISO 26000, SA 8000, UN Human Rights Norms for Business, ILO Declarations, etc.

1.1 Socially Responsible Investment

According to the Organisation for Economic Cooperation and Development (OECD), historically, SRI (Socially Responsible Investment or Sustainable and Responsible Investment) initiatives "have focused on financial institutions' own operations, but increasingly initiatives are focusing on social responsibility concerning investment decisions" (OECD, 2009, p. 239).

Indeed, as highlighted by Steurer *et al.*, nowadays SRI "can be regarded as the application of CSR and SD [sustainable development] principles to in investment decisions" (Steurer *et al.*, 2008, p. 7). In particular, SRI implies that investors incorporate the triple bottom-line principle, or Environmental, Social and Governance (ESG) considerations, into investment strategies.

A very useful classification of SRI is provided by the European Sustainable Investment Forum (Eurosif) which individuates different instruments at disposal of investors in this field: sustainability themed; best-in-class; norm-based screening; exclusions; ESG integration; engagement and voting (Eurosif, 2014).

Sustainability themed investments are based on the selection of companies which "aim to favour, support and encourage more forward looking, sustainable businesses" and related themes such as "the responsible use of resources, good employment practices, good stakeholder relations"[3]. This strategy is considered as "one of the purest", since this kind of investment targets assets and themes directly related to sustainable business, "as opposed to applying extra-financial (ESG) criteria or norms to a standard portfolio of assets regardless of the industry or activity" (Eurosif, 2014, p. 11).

The selection of best-in-class assets is one of the instruments that involve a positive screening by investors, that is the choice of investments based on a "asset of ethical or/and ESG criteria" (OECD, 2007, p.6). In particular best-in-class assets investments involve the selection of the "top percentage of companies within a sector using ESG criteria" (Eurosif, 2014, p.11). Positive screening can be also conducted by means of a norm-based strategy involving the assessment of "each company held in the investment portfolio against specific standards of Environmental, Social and Governance performance" (*ivi.*, p. 12). Investors use standards based on norms set up by international organisations (such as UN and OECD), or constructed on the basis of their own initiatives. Another possibility for investors, referred to

[3] http://www.sriservices.co.uk/fund-ecomarket-tool-overview/fund-ecostyles/sustainability-focused-investments

as "passive screening", is to "shift the decision about screening criteria to SRI index managers", such as the Dow Jones Sustainability Index (OECD, 2007, p. 7).
Exclusions, or negative screening, are employed to avoid investments in companies involved in certain types of activities, considered to be detrimental for society (manufacture of tobacco, weapons, etc.) or badly/not at all complying with labour, human rights, environmental standards and conventions.
Finally, ESG integration is defined by Eurosif "as the explicit inclusion by asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources" (Eurosif, 2014, p.17). Eurosif has divided the activities performed by asset managers in three categories:

- *Category 1 ("non systematic ESG Integration"): ESG research and analyses made available to mainstream analysts and fund managers;*
- *Category 2: Systematic consideration/inclusion of ESG research/analyses in financial ratings/valuations by analysts and fund managers;*
- *Category 3: Mandatory investment constraints based on financial ratings/valuations derived from ESG research/analyses (exclusions, under-weighting, etc.).* (Eurosif, 2014, p.17).

Concerning corporate engagement and voting, this "is described as a proactive method that involves direct communication with corporate management and the use of voting rights" (Jansson and Biel, 2014, p.35) by shareholders in order to change corporate policies, as exemplified by the case of Nike, which was encouraged by one of its largest investors (the UMGBP) "to seek changes in the labour practices of its suppliers" (OECD, 2007, p. 6).

1.2 Social impact investment

In a research document published by the European Parliament, social impact investment is defined as "the use of private investment capital to finance activities that generate a social benefit as well as a financial return" (Davies, 2014, p.2). Such a definition does not seem to clearly differentiate this kind of investment by some SRI strategies such as sustainability-themed investment and engagement and voting, which are both aimed at producing a positive impact on society or environment and, at the same time, at producing positive returns for the investors. However, Eurosif highlights two distinctive features that differentiate social impact

investment from all the other SRI strategies: "a) the explicit expectation of measurable social impacts and b) the active measurement of these" (Eurosif, 2014, p.24). The active measurement of impacts can be explained in part by the geographical focus of the investee company . Indeed, impact investors "invest in a portfolio of social enterprises that are seeking to generate social benefits for a specific local community" (*ibid.*), and the measurement of social impacts of geographically focused companies is usually simpler than the assessment of impact of a company with global presence.

In addition, social impact investment is also usually characterised by "greater flexibility in repayment terms, lower interest rates, and the acceptance of greater risk than commercial lenders would normally consider" (Davies, 2014, p.2)

Concerning revenues, the repay of the loan and the subsequent return can be generated in different ways. For instance revenues can come from "fees earned from local authorities" in return for the provision of a social service, from "future grants and donations anticipated following the opening of a new centre", or even from a "payment-by-results" contracts with a government authority (*ivi.*, p.3).

By means of payment-by-results contracts, a service provider is commissioned by a public authority to provide a service expected to produce a socially favourable outcome, such as training and support for underprivileged people trying to find work. The social result (increased employment among those people) "reduces future government spending and the government splits the saving with the service provider" (Davies, 2014, p.3). The social impact bonds (SIBs) are the best known form of social impact investment and of payments-by-results contract. SIBs were pioneered in the UK in 2010 (and thus I will analyse them in the chapter dedicated to the UK[4]) and have also been launched in Germany, in Belgium and in the Netherlands (Eurosif, 2014).

2. CSR Public policies

According to Ashley, public policy "can be described as a process or a cycle that starts with the identification of a problem of common concern that is politically defined as a public priority, oriented for a resolution or a better social, economic, environment or institutional condition to be reached" (Ashley, 2010, p.13). Three groups are usually indicated by scholars as the most important public policy instruments: legislations and regulations (sticks); economic incentives (carrots); information and persuasion (sermons) (Ashley, 2010).

[4] See p. 59

Among the major drivers that “collectively generate a “public policy case” for CSR, Peters and Rößß individuated the minimisation of the negative externalities stemming from the impact generated by business activities on society and environment and the establishment of a level playing field for companies (Peters and Röß, 2007). In addition, CSR is considered to be useful to close gaps in business governance both at the national and at the international levels, complementing state legislation (Peters and Röß, 2007). In order to try to achieve such objectives, governments can base their action on existing policy frameworks and international standards as a guidance for designing their CSR policies and strategies. Indeed, at the international level, states “have adopted standards and principles in conventions and declarations which constitute an international normative framework” (OECD, 2009, pp. 239-240).

2.1 The international normative framework

Over the last decades, the emergence of the so-called “civil society” and the increasing interests of governments for CSR have favoured the appearance of multi-stakeholder dialogue proposals in CSR (Albareda *et al.*, 2007), corporate sustainability and sustainable development and responsible business principles. As a consequence the “contemporary CSR agenda is associated with a number of multilateral processes and guidelines” (Fox *et al.*, 2007, p. 15), producing international norms, government-recognised guidance, and privately-developed principles relevant to CSR (OECD, 2009).

Instrument and Role	Examples
International Conventions and Declarations. • Reflect agreed international normative principles. Directed mainly to government for domestic implementation. These can help business understand *what* to do.	Universal Declaration of Human Rights. UN Framework Convention on Climate Change. ILO Conventions. ILO Declaration on Fundamental Principles and Rights at Work. UN Millennium Development Goals. World Summit on Sustainable Development Plan of Implementation. OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions.
Officially-agreed or recognised guidance. • Offer authoritative guidance to the business sector on expectations of behaviour. Also help understand *what* to do, and sometimes also *how*.	ILO MNE Declaration. OECD MNE Guidelines. UN Global Compact Principles. International Finance Corporation Performance Standards. Extractive Industries Transparency Initiative (EITI) Principles.
Privately developed principles. • Offer business/civil society developed guidance on expectations of behaviour. These sometimes also provide guidance on *how* to implement such standards. These may or may not be derived from international norms.	ISO standards (*e.g.* 14000 series). GRI Sustainability Reporting Guidelines. Responsible Care Guidelines. ICMM Sustainable Development Principles. Electronic Industry Code of Conduct.

Table 2: Role and relationship of internationally recognised norms, government-recognised guidance, and privately-developed principles relevant to CSR (OECD, 2009, p.240)

According to the OECD, "there are four channels by which governments have endorsed standards relevant to CSR": international instruments developed and formally agreed by governments, such as the International Labour organisation (ILO) declaration and the OECD Guidelines; international initiatives developed by intergovernmental bodies, among which the most important is the UN Global Compact; international initiatives endorsed by governments, such as the International Organisation for Standardisation (ISO) standards and the GRI Guidelines; and, finally, international initiatives developed and endorsed by government, such as the ethical trading initiative, "founded with UK government support" (OECD, 2009, p.240).

Among the international normative instruments, the ILO declaration, the OECD Guidelines and the UN Global Compact "have received prominent recognition by the G8 and the OECD as well as in various UN contexts" and they are also "among the instruments or initiatives most referenced or used in business-developed guidance materials" (*ivi.*, p. 241).

The UN Global Compact was launched by Kofi Annan in 1999. It is "a set of 10 principles on human rights, labour standards, environmental standards, and anti-corruption measures, implemented by companies around the world on a voluntary basis" (Martinuzzi *et al.*, 2011, p. 16). The Compact has no mechanisms for accountability and companies "are simply asked to demonstrate their adherence by taking some corporate action and publicizing this action through reports posted on the UN web site and in their annual reports" (Aaronson and Reeves, 2002, p. 9). However, the disclosure of information is mandatory ("mandatory disclosure framework"), thus participants that fail to communicate progress for "two years in a row are expelled and the UN Global Compact publishes their name"[5]. No role was given to the national governments even if some governments have contributed to the initiatives by promoting adherence (Aaronson and Reeves, 2002).

Aim of the Compact is to promote innovation in relation to corporate sustainability, by helping "to establish the business case for human rights, labour standards, environmental stewardship and the fight against corruption"[6].

In 2000, the globally applicable OECD "Guidelines for Multinational Enterprises" were re-edited adopting a more inclusive approach, involving a wide range of groups (Aaronson and Reeves, 2002). The Guidelines were firstly designed in 1976 to "ensure that multinational

[5] https://www.unglobalcompact.org/about/faq

[6] By now about 8000 companies and 400 non-businesses entities (cities, NGOs, etc.) participate in the initiative. https://www.unglobalcompact.org/about/faq

enterprises operated in harmony with the policies of the countries in which they did business" (Aaronson and Reeves, 2002, p. 11). Nowadays, the Guidelines are "the most comprehensive set of government-backed recommendations on responsible business conduct in existence" and all 34 OECD countries, and 12 non-OECD countries have adhered to them.[7]

Even if enterprises are "ultimately responsible for observing the guidelines in their day-to-day operations"[8], adhering governments are obliged to set up National Contact Points (NCPs) which are "responsible for promotion and diffusion of the Guidelines" (Martinuzzi *et al.*, 2011, p. 17).

In 2006, the International Labour Organisation (ILO) emended the Tripartite Declaration, adopted in 1977. The declaration is addressed to workers, unions, governments and businesses and covers economic, social and environmental issues (Aaronson and Reeves, 2002). The guidelines included in the declaration are aimed at enhancing the positive social and labour contributions of the operations made by MNEs (Martinuzzi *et al.*, 2011).

The aforementioned three instruments can be used on a "stand alone" basis, but if used together, in a complementary way, "they offer a broadly comprehensive coverage of economic, social and environmental issues" (OECD, 2009, p. 242). Indeed, the ILO Declaration, for instance, is silent on matters such as corruption that are instead covered by the OECD Guidelines and the UN Global Compact. Thus, by using these instruments complementarily, "a business can be confident that it is meeting widely agreed expectations of good behaviour" (*ibid.*).

Among private initiatives, the ISO standards and the GRI Guidelines are the most referenced by international organisations and used by business.

The international standard ISO 26000 was launched by the International Organisation for Standardisation, in 2010, "to provide globally relevant guidelines for social responsibility among private and public sector organizations" (Martinuzzi *et al.*, 2011, p. 17).

In 2000, the GRI, an international independent organisation based on multi-stakeholder networks[9], released the "Sustainability Reporting Guidelines" "which encourage and guide corporations to report not only on economic, but also on social and environmental business aspects" (Martinuzzi *et al.*, 2011, p. 17). In May 2013, a fourth generation of the Guidelines (G4) was launched in order to increase the harmonisation with other global frameworks[10], and the focus on "material aspects" and "boundaries". "Material aspects" are those aspects that

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[7] http://www.oecd.org/about/

[8] *Ibid.*

[9] https://www.globalreporting.org/Information/about-gri/Pages/default.aspx

[10] Such as OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles, and the UN Guiding Principles on Business and Human Rights.

"reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders"[11], while "boundaries" indicate if the impact of material aspects lies inside the organisation. In other words, boundaries indicate if material aspects can be associated with the organisation's own operations, or with its supply chain, that is when impacts are generated by suppliers or distributors[12]. With thousands of reporters in over 90 countries, GRI is generally considered to provide the world's most widely used standards on sustainability reporting and disclosure[13].

2.2 The European policy framework

European interest in CSR and business governance began to spread from the UK to the rest of Western Europe in the mid-1980s and , in the mid-1990s, some European policymakers began to discuss the possibility to supplement national efforts with measures at the EU level. In particular the European Parliament, under the pressure of the British Labour European Parliamentarian Richard Howitt, called for the issuing of codes of conduct for MNEs operating in developing countries (Aaronson and Reeves, 2002). Indeed, the European Parliament issued an annual report calling for a Code of Conduct for European Companies at the end of 1996, and then, in December 1997, it adopted the Fassa report on Fair Trade with developing countries. For its part, the European Commission began to officially show interest in CSR and business governance in 2001, initially sponsoring two conferences respectively on best business practices and triple bottom-line investing, and then adopting official documents, namely the Recommendation on the recognition, measurement and disclosure of environmental issues and, most importantly, the Green Paper, Promoting a European Framework for Corporate Social Responsibility.

2.2.1 The Green Paper

The Green Paper was aimed at launching "a wide debate on how the European Union could promote corporate social responsibility at both the European and international level" (European Commission, 2001, p.2). More specifically, it stressed the importance of sharing the best practices and fostering innovation, transparency and accountability. In such a document, the Commission defined CSR as "a concept whereby companies decide voluntary

[11] https://www.globalreporting.org/resourcelibrary/GRI-An-introduction-to-G4.pdf
[12] *Ibid.*
[13] https://www.globalreporting.org/Information/about-gri/Pages/default.aspx

to contribute to a better society and a cleaner environment" (European Commission, 2001, p.2) and highlighted the social relevance of the triple bottom-line principle and the positive connections among economic growth, social cohesion and environmental protection. In particular, the Commission invited companies to consider CSR as an investment rather than a cost, and as a part of a long-term strategy "minimising risks linked to uncertainty" (*ivi.*, p.3). Concerning the international level, the Commission affirmed its commitment to actively promote the OECD guidelines, to strengthen the monitoring and compliance of the core ILO labour standards (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour). As regards the national level, it highlighted the importance of SMEs in spreading CSR awareness and supporting the dissemination of good practices, thus contributing to create a better working environment, and to a more efficient utilisation of natural resources. The main contributions that the Commission aimed to give through the Green Paper were, on the one hand, to provide an overall European Framework, promoting and disseminating good practices, principles and innovative ideas and, on the other hand, to support evaluation and independent verification of CSR practices, "ensuring thereby their effectiveness and credibility" (*ivi.*, p.4).

The Green Paper underlined the existence of the two dimension of CSR: the internal and the external ones. The internal dimension concerns CSR practices with effects within the company, and primarily involves employees and issues such as investing in human capital, health and safety. Concerning human capital, a particular attention is given to life-long learning and non-discriminatory recruitment practices, as important contributions to the objectives of reducing unemployment and fighting against social exclusion.

Concerning the external dimension, the Green Paper evidenced the extension of the relevance of CSR to a wide range of stakeholders such as customers and local communities, especially as regards the respect of human rights by the MNEs, in line with the requirements set up by the ILO Tripartite Declaration and the OECD Guidelines . With regard to MNEs, the Commission stressed the importance to complementing international agreements with codes of conducts to be applied "at every level of the organisation and production line" (*ivi.*, p.14) and monitored through systems involving stakeholders and public authorities.

Finally, in the Green Paper, reference was also made to SRI. In particular, the Commission highlighted the dramatic increase of popularity of socially responsible investing among mainstream investors and the contribution of socially and environmentally responsible policies to the minimisation of risks, "by anticipating and preventing crises that can affect reputation and cause dramatic drops in share prices" (*ivi.*, p. 24).The Commission also

recognised the need to improve the awareness of SRI's potential returns within the financial markets, and the need for more convergence between indicators and standards and for greater transparency in the evaluation methods used by screening agency, in order to guarantee better information to companies and improve cooperation among them, thus facilitating the growth of the SRI market.

In 2002, the Commission published the results of a public consultation on the Green Paper whose responses came from business representatives and individual enterprises, stakeholders and academics. What emerged was that investors and consumers stressed the necessity to improve disclosure and transparency of companies' practices, while trade unions and civil society organisations highlighted the need to promote a more inclusive approach to CSR, involving the relevant stakeholders. The Commission responded to the public consultation with the Communication "Corporate Social Responsibility. A business contribution to sustainable development" (2002). With such a document, the Commission linked CSR to the concept of sustainable development and stresses the importance of the role played by Governments in "raising awareness and enforcing implementation of internationally agreed social and environmental standards (European Commission, 2002, p.7). In addition, it made reference to market failures and to the importance of the convergence of the CSR instruments for the preservation of a level playing field, in order to facilitate cooperation and reduce the costs of adopting CSR.

2.2.2 The new EU strategy

In October 2011, the Commission published a new Communication on CSR calling for "A renewed EU strategy 2011-2014 for Corporate Social Responsibility". In the introduction, the Commission made reference to the economic crisis and to the loss of consumer confidence and trust in business, and to the aim to crate "conditions favourable to sustainable growth" (European Commission, 2011, p.4). Thus, it stressed the need of a more strategic approach to CSR, bringing benefits to enterprises "in terms of risk management, cost savings, access to capital, customer relationships, human resources management, and innovation capacity" and to the society as a whole, underpinning the objectives of the Europe 2020 strategy for "smart, sustainable and inclusive growth" (*ivi.*, p.3).

In the new Communication, the Commission elaborated a new definition of CSR as "the responsibility of enterprises for their impact on society" (*ivi.*, p.6), thus recognising explicitly a responsibility for enterprises "to identify, prevent and mitigate their possible adverse

impacts" (European Commission, 2011, p.6). A particularly important role was recognised to public authorities in supporting enterprises "through a smart mix of voluntary policy measures", in order to "promote transparency, create market incentives for responsible business conduct, and ensure corporate accountability" (*ivi.*, p.7). Indeed, the Commission recognised that enterprises face dilemmas when the most responsible courses of action are not financially beneficial and that, for such a reason, it is necessary to implement leverage policies "in the field of consumption, public procurement and investment to strengthen market incentives for CSR" (*ivi.*, p.10). Concerning consumption, the existent barriers to consumers' awareness of the implemented CSR practices, such as the lack of easy "access to the information necessary for making informed choices" (European Commission, 2011, p.10) were highlighted. With regard to investments, the Commission focused on "regulatory proposals to ensure a more responsible and transparent financial system" (*ibid.*), to respond to the financial crisis and prevent the future ones. For this purpose, the Commission assigned a relevant role even to investment funds and financial institutions, which were asked to inform their clients about their ethical or responsible investment criteria or standards and codes they apply.

2.2.3 Non-financial disclosure

In 2014, the European Parliament and the Council adopted the Directive 2014/95/EU on "Disclosure of non-financial and diversity information by large companies and groups". With this Directive, the EU required large companies (i.e. those with more than 500 employees) "to disclose relevant non-financial information to provide investors and other stakeholders with a more complete picture of their development, performance and position and of the impact of their activity"[14]. In particular companies were required to disclose information on their principal risks stemming from their operations and on policies and related outcomes concerning: environmental matters; social and employee aspects; respect for human rights; anti-corruption and bribery issues; diversity on boards of directors (Official Journal of the European Union, 2014).

[14] http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=URISERV:240601_2&from=EN&isLegissum=true

2.3 National Public Policies and CSR

There is a great variety of CSR national policies and, as stated by Martinuzzi *et al.*, they all "have in common that they try to inform and motivate companies to take action in implementing CSR measures, to use the power of market and competition to promote and disseminate CSR, and to guarantee a high level of quality in implementing CSR" (2011, p.14). While Ashley, as we have seen previously, individuated three main groups of public policy instruments, Steurer *et al.* organised CSR public policies by distinguishing five types of policy instruments, adding partnering and hybrid instruments to the legal, financial, informational ones, and four fields of action: raising awareness, improving disclosure and transparency, facilitating SRI, and leading by example (Steurer *et al.*, 2012, p. 208).

- Legal instruments can be mandatory, such as obligations to disclose information on CSR practices implemented by private actors, or can have value of recommendations, such as soft law instruments to recommend socially responsible courses of action.
- Financial instruments, "usually based on the resources of the taxing authority and the treasury" (*ibid.*), can be useful to provide economic incentives to address market failures that discourage firms from adopting CSR strategies.
- By means of the informational instruments, governments highlight options and possible consequences. These instruments do not imply constraints but can be useful to diffuse principles and to favour the institutionalisation of standards and practices, thus contributing to solve problems of coordination among firms.
- Partnering instruments "bring government agencies and business together in public-private partnerships, negotiated agreements, or stakeholder forum (*ibid.*), thus they are an important business governance tool.
- Finally, hybrid instruments combine two or more of the aforementioned instruments, as in the cases of CSR platforms or CSR strategies.

Concerning the fields of action of such CSR instruments, raising awareness contributes to influencing stakeholder preferences and to driving public interest on CSR best practices, thus pressuring business to respond to social and environmental concerns. Improving disclosure and transparency, by setting standards and/or requiring the provision of "reliable information on economic, social and environmental impacts" (*ibid.*) discourage free riders and favour the establishment of a level playing field for companies.

As regards SRI, by providing incentives governments can influence the benefit/cost calculus of investors in favour of investment decisions providing benefits to both stakeholders and shareholders.

Finally, governments can lead by example "and provide incentives for CSR by applying respective principles and practices in their own domain, in particular by making public procurement more sustainable" (Steurer *et al.*, 2012, p.209).

Part III - Analysis

1. The CSR gap between western and CEE countries

According to Martinuzzi *et al.*, "policy can deal with CSR in different ways" depending on how each State perceive CSR, that is solely like a business agenda, or like part of government's competences to be treated by means of soft or, in certain cases, hard law (Martinuzzi *et al.*, 2011, p.35). In particular, regulations can be employed to affect transparency and disclosure, while soft policy instruments usually focus on dissemination of information and raising awareness.

Policies can also be used to provide economic incentives for responsible business, both through the direct intervention of State, for instance regulating public procurement accordingly to criteria linked to sustainable development principles, or indirectly facilitating financial support for socially responsible investors or providing tax reductions.

Finally, the most active governments in CSR "integrate a broad variety of public CSR policy instruments into CSR strategies and action plans [the so-called "fourth generation CSR"], create coherent policy mixes, and implement governance structures for their implementation and renewal" (*ibid.*).

In my hypotheses, I assume that governments can influence private actors, by creating a favourable environment for CSR, favouring coordination and collaboration among firms. However, governments (at least, in democratic countries) are supposed not be closed monads influencing society in an unidirectional way. Indeed, as underlined by historical and sociological institutionalists, path dependency, unintended consequences and ideas play a primary role in shaping public policies so that, for instance, persistent features of power equilibriums influence the strategies of decision makers, while critical junctures can be decisive in reshaping public preferences and ideas. Therefore, the decision to adopt national CSR policies, strategies, and actions plans depends even on the cultural, institutional, and policy context of the respective country (Martinuzzi *et al.*, 2011).

1.1 Western European countries

Albareda *et al.*, starting from a classification of CSR public policies based on directionality, that is to whom government policies are addressed (to the same governments, to business, to civil society or to business/civil society relational and collaborative schemes), mapped

specific initiatives and programmes implemented by governments in Europe, grouping the 15 EU countries pre-enlargement into the "four-ideal typology model" (Albareda *et al.*, 2007, pp. 395-396) featured in table 3.

Models of government action in the development of CSR-endorsing public policies in 15 EU counties

Model	Characteristics	Countries
Partnership	Partnership as strategy shared between sectors for meeting socio-employment challenges	Denmark, Finland, the Netherlands, Sweden
Business in the community	Soft intervention policies to encourage company involvement in governance challenges affecting the community (entrepreneurship and voluntary service)	Ireland, the United Kingdom
Sustainability and citizenship	Updated version of the existing social agreement and emphasis on a strategy of sustainable development	Germany, Austria, Belgium, Luxembourg.
	Regulatory	France
Agora	Creation of discussion groups for the different social actors to achieve public consensus on CSR	Italy, Spain, Greece, Portugal

Table 3: Models of government action in the development of CSR-endorsing public policies in Western European countries (Albareda *et al.*, 2007, p. 401)

The "partnership model", otherwise known as Nordic model, (Denmark, Finland, the Netherlands, and Sweden) includes countries which are characterised by an "extensive and comprehensive welfare state" and by the assumption of co-responsibility by private actors "in the building of a more inclusive society and a dynamic and integrated employment market" (Albareda *et al.*, 2007, p. 400). Therefore, these countries favour negotiation and are particularly active in promoting public-private partnerships as well as in adopting policy strategies focusing on transparency and disclosure of information on social and environmental issues, and on promoting sustainable production. In addition, "a considerable commitment is made by local governments who act as the channels for partnership building" favouring cooperation between administrations, companies and social organisations (*ivi.*, p. 401).

The "business in the community" model includes Ireland and, most importantly, the UK, whose government "has been one of the most innovative in the development of a political CSR framework" (*ivi.*, p. 402) and where, for the first time in Europe, CSR dramatically spread during the 20th century, as a response to a deficit in social governance at times of financial crisis. Thus, in this model, companies are considered to play "a fundamental role in the economic development of communities in which they operate as well as in fighting social exclusion and poverty" (Albareda *et al.*, 2007, p.402).

In both the UK and Ireland, governmental CSR policies are characterised by supporting measures and soft regulation aimed at developing, facilitating, providing tax incentives for CSR and encouraging public-private partnerships. In particular, government actions on CSR focus on dealing with “social problem such as unemployment and social exclusion” also through partnerships between companies and local governments (Albareda *et al.*, 2007, p. 402) and promoting investment in social and human capital (e.g. staff training, employment, board diversity, social inclusion, etc.).

The “sustainability and citizenship”, or continental model (Austria, Belgium, France, Germany, and Luxembourg), rests on the theoretical concept of corporate citizenship and thus on the assumption that corporations are political actors that “take their place as citizens in civil society” (*ivi.*, p. 403). Therefore the governments of this model consider corporations to have not only the duty to “not doing bad”, ensuring transparency and compliance with law and tax obligations, but also the responsibility to “doing well”, maintaining “a direct link with their local environments” and contributing “to resolving social problems by forming partnerships with other actors in society” (Albareda *et al.*, 2007, p. 403).

Therefore, companies are considered to be social actors expected to act on the basis of the principles of the “social market economy”, which combines economic freedom with social justice, and to pay a key role in the societal agendas.

CSR strategies of such governments mainly focus on creating incentives “to help companies to assume their responsibility” (*ibid.*), and on supporting business organisations and promoting public discussions about sustainable development, in order to foster awareness of CSR.

Concerning sustainable development, France is very active in establishing CSR government-supported activities focusing on long-term sustainability, “so much that, at times, such activities appear to be directed by government, revealing a more regulatory approach, in line with the apparently more centralist orientation of the French state” (*ibid.*).

Finally, the “Agora” model, including the EU Mediterranean countries (Greece, Italy, Portugal, and Spain), is characterised by the pursuit of a “consensus that includes all social voices and viewpoints on government action” (*ibid.*). These countries were the latest to adopt CSR policies and were particularly influenced by European Commission Green Paper and the other EU initiatives.

CSR strategies adopted by such governments are especially aimed at creating CSR multi-stakeholder forum and groups “to discuss the concept of CSR, to seek consensual solutions and to determine the role to be played by government” (Albareda *et al.*, 2007, p. 404).

1.2 CEE countries

According to the United Nation Development Programme UNDP, CSR is a relatively new phenomenon in the CEE countries and, even due to the socialist heritage of these countries, the first years after their entry into the EU there was still a general perception that social responsibility and social caring was the "primary role of governments", while most companies considered "to operate in compliance with the legal and regulatory environment" as their only responsibility (UNDP, 2007, pp. 21, 23).

As stated by Letica, the development of CSR in CEE countries was strongly influenced by their communist past when state-owned companies played a major role with regard to welfare state. Indeed, they contributed to society by ensuring "full and life-long employment, building apartments and houses for their employees, or constructing social institutions, medical centers, etc." (Letica, 2008, p. 9). After the fall of communism, this system of welfare state also collapsed and "privatization and the new economic agenda resulted in "wild capitalism", where profit became the most important goal for most companies in the region" (UNDP, 2007, p. 21). Indeed, companies "had no time and resources to pay attention to social or environmental responsibility" and they did not have experience of corporate sustainability strategies nor instruments to implement them , while, at the same time, stakeholders were still too weak and not sufficiently aware of CSR principles to put pressure on companies to contribute to sustainable development (*ibid.*). Therefore, the development of CSR in the CEE countries, experiencing the post-communist transition, "came mostly as a result of the involvement of inter-governmental organizations in the region and individual companies", especially MNEs and large domestic companies (Letica, 2008, p. 9).

However, as highlighted by the UNDP, even if CEE countries have a communist past in common, they "are not all similar in terms of history, economic development and they each have a different relation to the European Union" (UNDP, 2007, p. 21), since some of them joined the EU in 2004 (e.g. Lithuania, Hungary, Poland, Slovakia), while Bulgaria accessed in 2007 and Croatia joined very recently in 2014.

According to Letica, on the basis of their social models and approaches to CSR, CEE can be grouped in three models: the "New Central European", the "Baltic", and the "Western Balkan" models.

The New Central European model, found in Czech Republic, Slovakia, Poland, Hungary, Slovenia and Croatia, is characterised by a more coordinated approach to CSR by public

authorities, stakeholders and business compared to models of the other CEE countries. In addition they are especially influenced by the continental social model, so that "one can foresee that in the future they will move closer to the Central European models of governance and CSR" (Letica, 2008, p. 10).

The Baltic model, including Estonia, Latvia and Lithuania, "represent a transitional variety of the Nordic social model, since the Baltic States are particularly influenced by "ethnic and cultural ties, but also close economic, scientific and cultural cooperation [...] with their northern neighbours" (*ivi.*, p. 10).

Finally, according to Letica, in 2008 the Western Balkan model, including Bulgaria and Romania, was "the less developed of all new CSR models", since the socialist/communist social system had been completely dismantled but "the new paradigm of social policies, market economy, and with that, the modern CSR approach ha[d] not yet been fully developed" (Letica, 2008, p.10).

1.3 Measuring the CSR gap

According to Steurer *et al.*, "while CSR has had a particularly strong resonance in parts of Western Europe, several studies show that the concept hardly took root in the new CEE member states of the EU" (Steurer *et al.*,2012, p. 207). In particular, while companies in Western Europe seem to have generally understood the importance of a holistic approach to business, and the advantages deriving from CSR in terms of risk management, positive relationships with stakeholder and business model innovation, most CEE companies "consider their responsibility to operate in compliance with the legal and regulatory environment of the given country" (*ibid.*), while CSR is still "commonly understood as corporate philanthropy (charity), or public relations/marketing" (Elms, 2006, p. 204).

Such considerations seem to be confirmed by a research conducted in 2006 by the UNDP trough the contribution of National Expert Teams (NETs). In 2004, the think tank Accountability and the UK based international consulting organisation csrnetworkTM developed the Accountability RatingTM "which established a measurement framework to assess corporate alignment with CSR principles" (UNDP, 2007, p.33).

- *Strategy requires a company to recognise its main social, ethical and environmental impacts and describe relevant targets and objectives relating to these impacts and that integrate with the core business strategy.*
- *Stakeholder Engagement looks for systematic dialogue processes with those who have the ability to influence a company's operations or may be affected by its business.*
- *Governance looks for clear accountability for CSR polices and performance, leading from the most senior levels of the organisation.*
- *Performance Management looks for processes, standards and incentives to achieve social and environmental goals, as well as financial ones.*
- *Public Disclosure looks for evidence of reporting on the company's social and environmental performance, as transparency about polices and performance is regarded as essential for any responsible business.*
- *Assurance looks for internal and external processes that build the credibility and effectiveness of CSR processes and reporting.*

(UNDP, 2007, p.33)

Six areas of measurement were used to compose the index: strategy, stakeholder engagement, governance, performance management, public disclosure and assurance.

The index was used by the NETs to gather information about the state of development of CSR practices in 288 companies located in 8 countries: Bulgaria, Croatia, Hungary, Lithuania, Slovak Republic, Macedonia, Poland and Turkey.

The presence of Macedonia and Turkey makes the survey less pertinent to the aims of my study. However, some features were recognised as common to all the region studied by the UNDP. Thus, I believe that reporting the results of this UNDP's research will be useful to understand some CSR features characterising the CEE countries.

Concerning CSR strategies, it was more often foreign MNEs that have driven the social agenda, "applying to general standards of corporate governance, transparency, management systems and operational tools" (UNDP, 2007, p.48). Indeed, companies coming from the studied region often considered CSR only as an addition to core business activities, and as something "connected to philanthropy and sponsorship" (*ibid.*). In addition, the absence of a mature civil society movement was considered to limit "the ability for stakeholder opinion to help shape strategy" (*ibid.*).

As regards governance, while company structures embracing CSR and increasing clarity about responsibility and accountability were spreading in many Western European countries in those years, these were not diffused among companies of the eight analysed countries. Therefore, often responsibility for delivery on CSR priorities was not formally allocated.

Concerning public disclosure, the research revealed that while MNEs located in the studied region had begun to report on CSR issues, local operating companies generally published only "little information on policy and performance on CSR" (UNDP, 2007, p. 48).

With regard to performance management, opinions about voluntary standards, independent certification and international initiatives were diverse across the region. Indeed, while "a number of companies reported positive experience from aligning with a recognised international initiative" others did not consider "commitment to voluntary initiatives to be beneficial" (UNDP, 2007, p.41).

Finally, the concept of assurance, which can be applied to public CSR reports, or to management methods, data collection systems and stakeholder engagement processes, was "generally not very known yet and many respondents mentioned that neither customers nor companies believe in the credibility of assurance" (*ivi.*, p. 47).

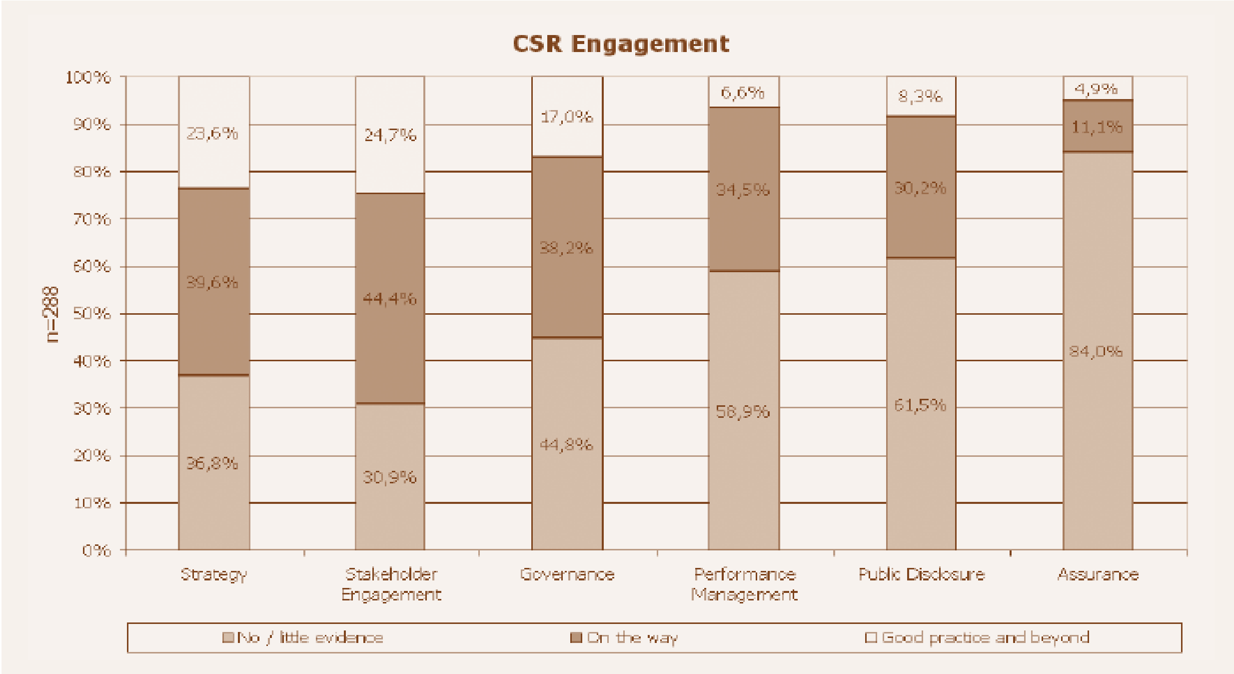


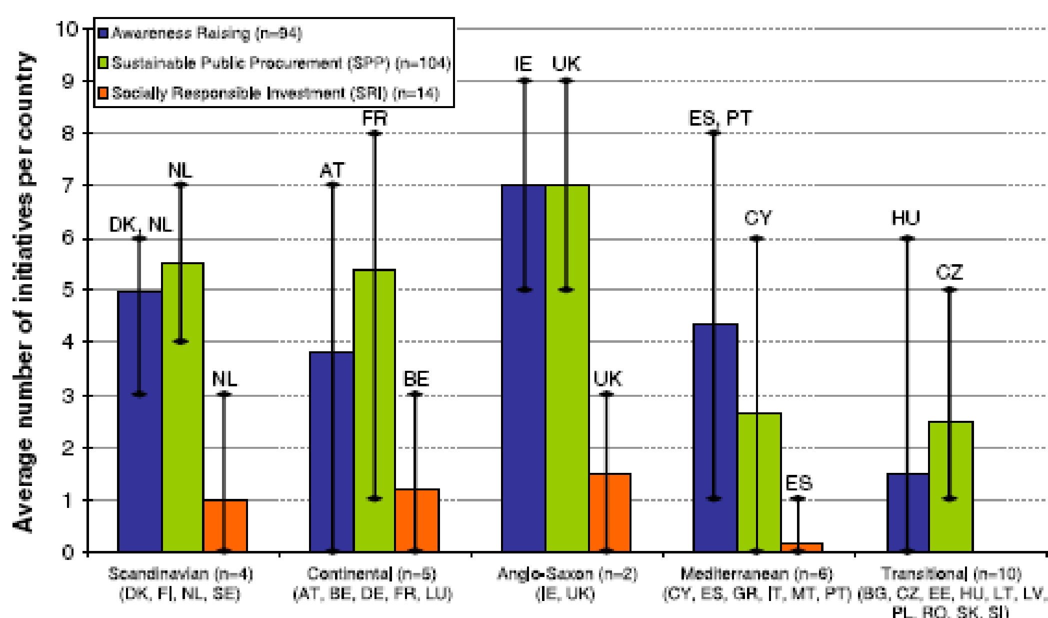
Figure 1: CSR engagement in CEE countries (UNDP, 2007, p.37)

The gap between the two European regions concerning CSR awareness, and the level of interest in CSR practices such as certification and disclosure, seem to reflect the different roles played by Western and CEE governments.

As underlined by Ramon Mullerat, CSR in CEE countries is still lowly developed and the level of government involvement in CSR is diverse across such countries (Mullerat, 2013). As a consequence, while western governments "play an active role in fostering C[S]R with

informational, partnering legal and economic instruments, [...] in most of the countries of the [CEE] region, systematic government incentives and initiatives for social and environmental performance are generally missing” (Steurer and Konrad, 2009, p.25).

In addition, the influence of stakeholders, which is a factor that usually motivate companies to behave more responsibly, in CEE countries is still limited. Thus public policies could paradoxically “play a much more determining role than in old Europe countries” in the CSR field (Letica, 2008, p. 8), if they provided rewards to companies or spread awareness of CSR among business and civil society. Therefore, the limited involvement of states in CEE countries, which seems to be confirmed by three surveys conducted by Steurer between 2006 and 2008 (figure 2), could have had a noteworthy influence on the creation of the CSR gap.



Field of action	No. of CSR policies in		Average no. of CSR policies in the	
	CEE	WE	CEE countries surveyed	WE countries surveyed
Awareness raising	15	53	2.5 (for 6 countries)	4.82 (for 11 countries)
SPP	25	63	2.5 (for 10 countries)	5.73 (for 11 countries)
SRI	0	13	0 (for 9 countries)	1.18 (for 11 countries)
Total	40	129	1,6	3.9

Figure 2: Distribution of CSR policy initiatives across Europe according to Steurer *et al.* (2012, p. 217)

According to Steurer’s surveys, on 212 European governmental initiatives aimed at raising awareness of CSR, fostering SRI, or promoting SPP, only 19% of these were found in CEE countries (the Baltic States were not included into the survey), and only Hungary, Poland and

Slovenia were found consistently active. In addition, none of the 14 public policies aimed at fostering SRI were adopted by CEE countries.

The Anglo-Saxon countries were found to be not significantly more active than the Nordic ones. According to Steurer, this was a surprising result, since "the two socio-economic models mark the opposite ends of the European welfare spectrum, representing liberal and social-democratic ideological tendencies" (Steurer *et al.*, 2012, p. 216).

High level of activity in Nordic countries could stem from the process of maturation of CSR concept. Indeed, while initially CSR was considered or as a tool facilitating the downscaling of government regulations, or as mere philanthropy, recently it has become "a more comprehensive concept of strategic triple bottom line management" (Steurer, 2010, pp. 14-15) and, as such, part of a "more mature agenda of embedding businesses in society that corresponds increasingly well with social-democratic welfare state models" (Steurer *et al.*, 2012, p.216).

More recently, a CSR index developed by Gjolberg[15] in 2009 was used and extended by Skouloudis[16] in order to obtain national CSR scores. Gjolberg's index was based on "nine well-established international CSR 'variable' referring to socially responsible investment ratings, subscriptions to global CSR initiatives, CSR accounting and reporting schemes and management system standards" (Halkos and Skouloudis, 2016, p.6). While Gjolberg had applied the calculation formula to 20 OECD countries, Skouloudis assessed data relating to 86 countries, selecting the year 2012 as the reference period and using as variables 16 international "CSR initiatives, environmental and social standards, 'best-in-class' rankings and ethical investment stock exchange indices[17]" (*ivi.*, p.11).

The aim of that research was to evaluate the level of CSR penetration in each country, on the basis of the "number of organizations included certified, subscribing or formally endorsing the specific CSR variable" (Halkos and Skouloudis, 2016, p.11). The results of the research are reported in table 4.

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[15] Gjolberg M. (2009a). "Measuring the immeasurable? Constructing an index of CSR practices and performance in 20 countries". *Scandinavian Journal of Management*, 25(1), 10-22.

[16] Skouloudis A. (2014). "Revisiting the development of a national corporate social responsibility index". *MPRA* Paper 64864, University Library of Munich, Germany.

[17] A)Management system standards: ISO 14001; OHSAS 18001; SA8000. B) Non-financial accounting and reporting: GRI; Carbon Disclosure Project (CDP); Greenhouse Gas Protocol (GHG); KPMG survey. C) Overarching principles and business-led coalitions: UN Global Compact; World Business Council for Sustainable Development (WBCSD). D) CSR and sustainability stock exchange indices: Ethibel Sustainability Index (ESI); FTSE4 Good Global Index; Dow Jones Sustainability World Enlarged Index (DJSI World Enlarged); ECPI Global ESG Alpha Equity Index ; MSCI World ESG Index. E) CSR rankings: World's Most Ethical companies (WME); Global 100 Most Sustainable Corporations

Europe emerged as the frontrunner in the CSR field. Indeed, 10 of the 12 countries achieving positive scores pertained to the European region (including Switzerland) and 14 of the first 20 countries were EU Western Member States. The best results were achieved by the Nordic countries and the UK. While the frontrunners in Continental and Mediterranean Europe were France and Spain. Surprisingly, Germany was assigned a negative score.

The CEE countries scored consistently worse, since none of them achieved a positive score. In addition, the best score was achieved by Romania which was ranked only 32nd, while the CEE country with the worst score was Poland, which was ranked 55th.

	Country	NCSRI
1	Switzerland	20.64
2	Sweden	19.50
3	Finland	18.99
4	Denmark	12.59
5	UK	9.64
6	Netherlands	9.27
7	Norway	8.04
8	Australia	6.17
9	Spain	4.21
10	France	2.58
11	Portugal	2.30
12	Singapore	0.77
13	Japan	-0.25
14	Canada	-0.76
15	Belgium	-1.22
16	Italy	-1.56
17	Germany	-3.93
18	Hong Kong	-5.40
19	Ireland	-5.70
20	USA	-11.02
21	Luxembourg	-11.12
22	Brazil	-11.74
23	Colombia	-11.99
24	South Korea	-12.13
25	Austria	-12.21
26	South Africa	-12.58
27	Israel	-13.57
28	Chile	-15.13
29	New Zealand	-15.19
30	Greece	-15.36
31	Thailand	-17.79
32	Romania	-17.98
33	Malaysia	-18.99
34	Hungary	-19.50
35	Bulgaria	-19.68
36	India	-20.64
37	Lithuania	-20.87
38	Slovakia	-21.73
39	Taiwan	-22.02
40	Croatia	-23.07
41	Panama	-23.41
42	Slovenia	-23.83
43	United Arab Emirates	-24.17
44	Serbia	-24.26
45	Sri Lanka	-24.39
46	Latvia	-24.81
47	Indonesia	-25.03
48	Estonia	-25.12
49	Jordan	-25.19
50	Bahrain	-25.41
51	Viet Nam	-25.55
52	Mauritius	-26.04
53	Czech Republic	-26.25
54	Iceland	-26.36
55	Poland	-26.36
56	China	-26.65
57	Peru	-26.66
58	Uruguay	-26.98
59	Mexico	-27.36
60	Kazakhstan	-27.53
61	Turkey	-27.78
62	Costa Rica	-27.84
63	Ecuador	-28.06
64	Pakistan	-28.10
65	Argentina	-28.37
66	Bolivia	-28.37
67	Philippines	-29.56
68	Qatar	-29.65
69	Belarus	-30.18
70	Tunisia	-30.26
71	Honduras	-30.43
72	Kuwait	-30.65
73	Kenya	-30.79
74	Egypt	-31.45
75	Ukraine	-31.66
76	Georgia	-32.26
77	Russian Federation	-32.38
78	Oman	-32.50
79	Nigeria	-33.13
80	Guatemala	-33.51
81	Syrian Arab Republic	-33.70
82	Morocco	-33.94
83	Iran	-34.00
84	Bangladesh	-34.93
85	Venezuela	-35.44
86	Saudi Arabia	-37.06
	Average score: -18.32	

Table 4: The ranking of 86 countries according to the national CSR index proposed by Halkos and Skouloudis (2016, p.28)

Halkos and Skouloudis, commenting the results of the research, recognised the relevance of the formal and informal institutional conditions and of their influence on the organisational behaviour. Indeed, according to them, decision-makers and governmental bodies have the capacity to support CSR penetration through "policies for the creation of incentives and

reward schemes, capacity building and awareness raising initiatives or minimum CSR standards" (Halkos and Skouloudis, 2016, p. 21). In addition, institutions were recognised able to contribute to the creation of an "enabling environment for meaningful CSR implementation", filling culture-based knowledge gaps and/or disseminating best practices guides (*ibid.*).

1.3.1 Non-financial disclosure and the GRI list

According to the OECD, the recent "interest in CSR and SRI has led to the growth of a social investment research industry dedicated to the evaluation of companies' environmental and social risks" (OECD, 2007, p.14). As a consequence, a number of private companies and not-for-profit organisations has begun to provide guidelines and frameworks to standardise the assessment and reporting of ESG issues.

Therefore, the investment research industry has highlighted the importance of triple bottom-line reporting and many EU governments have started to require or promote such kinds of reporting, often developing partnerships with international or private organisations such as GRI.

Through the data provided by the GRI's sustainability Disclosure Database, it is possible to obtain an overview of the European trends concerning non-financial disclosure.

The GRI reports list contains detailed metadata on 34,242 sustainability reports published since 1999 by 9,336 organisations from all over the world[18].

Since the reports are published by organisations of all types (large companies, MNEs, SMEs, state-owned companies, etc.), the assessment of the single national situations must be undertaken carefully. Indeed, some dramatic increases are due to national regulations that oblige state-owned companies to disclose non-financial information. We can consider such regulations as leading-by example CSR public policies but, with regard to my hypotheses, it is necessary to keep in mind the differentiation between public and private actors when evaluating the effects of policies on CSR practices. The most exemplificative example of this is provided by the Swedish Guidelines for external reporting by state-owned companies, adopted in 2007. These guidelines are mandatory for state-owned enterprises and "state that the companies shall present a sustainability report using GRI G3's Guidelines"[19].

[18] http://database.globalreporting.org/
[19] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/Sweden.aspx

The full implementation of the directive was reached in 2011, when “96%, or 53 of the 55, state-owned companies presented a sustainability report”[20]. As a consequence, the effects of the initiative are clearly detectable in table 5 (next page).

However, the GRI list is an important tool to compare regional trends. Indeed, it provides a significant sample of CSR reports, and it is useful to give us an idea of the percentages of CSR reports published in Europe by Western and CEE companies and to provide some useful indications to understand if a gap in this field effectively exists and, in case, if it is going to be filled or widened.

As showed by the table, 90.75%, or 2611 of the 2877 companies reporting in Europe from 1999 until now come from Western Europe. Of the 66 CEE reporting companies, more than half come from only two countries, namely Hungary (82) and Poland (75).

While all the Western Countries are indicated by GRI as playing a pivotal role in driving sustainability at the national level, among CEE countries only Hungary is considered to play such a role[21].

In addition, analysing data relative to 2013, which is the year in which the number of Hungary companies reporting peaked, we find that of 43 entities reporting in this period 30 were state-owned companies, public institutions or subsidiaries of MNEs based in other countries.

Western reporting entities increased, in the period from 2007 to 2014 (when the number of reports peaked), from 374 to 1587. In the average Western Europe country, about 25 reports were published in 2007 and about 106 reports in 2014.

CEE reporting entities increased, in the 2007-to-2014 period, from 20 to 131. In the average CEE country, about 1 report was published in 2007 and about 9 in 2014.

The gap between the number of western and CEE reporting entities increased, from 2007 to 2014, from 154 to 1450, corresponding to an increase of about 841%.

All in all, since the data indicate that the gap between Western European and CEE countries concerning GRI reports continues to grow and, considering the significance of the sample provided by the GRI list, we can reasonably deduct that reporting strategies are a kind of CSR practice more diffused in the former countries than in the latter ones.

[20] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/Sweden.aspx
[21] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/Europe.aspx

Member States	Companies reporting 1999-2015	GRI Reports 2007	2008	2009	2010	2011	2012	2013	2014	2015
Austria	207	17	17	18	45	67	63	88	87	85
Belgium	135	8	14	20	24	35	45	45	95	71
Bulgaria	10	/	/	2	1	2	3	2	4	2
Croatia	17	2	3	6	7	10	10	11	12	6
Czech Republic	33	3	4	4	6	5	8	16	20	18
Denmark	66	6	8	11	31	42	44	49	56	61
Estonia	3	/	/	/	1	1	2	1	2	2
Finland	162	11	18	29	39	43	123	130	124	130
France	177	22	32	37	45	54	66	85	142	148
Germany	320	40	46	56	71	119	151	170	182	170
Greece	86	8	15	27	32	45	52	44	54	42
Hungary	82	8	11	31	34	40	43	29	31	21
Ireland	22	1	2	3	6	8	11	7	14	8
Italy	145	34	49	62	69	76	88	95	102	98
Latvia	9	/	/	/	2	1	2	4	8	3
Lithuania	1	1	1	1	1	1	1	1	1	1
Luxembourg	18	1	3	3	5	6	7	10	15	8
Malta	/	/	/	/	/	/	/	/	/	/
Netherlands	216	33	43	54	75	106	111	130	143	133
Poland	75	4	2	5	12	16	18	34	36	39
Portugal	86	18	36	44	49	47	55	47	47	33
Romania	17	1	1	7	4	6	7	9	7	6
Slovak Republic	11	1	3	5	7	7	6	8	5	6
Slovenia	8	/	/	/	2	2	5	8	5	4
Spain	492	120	134	165	186	211	211	190	197	181
Sweden	196	12	27	75	87	137	133	138	147	139
United Kingdom	283	43	67	71	94	109	142	155	182	185
	2877	394	536	736	935	1196	1407	1506	1718	1600

Table 5: data extracted from the GRI list

1.3.2 Socially Responsible Investment in Europe

The aforementioned surveys conducted by Steurer revealed that at least 14 public policies aimed at fostering SRI had been adopted by seven European Countries. Of these, six were legal instruments, four financial//economic, three informational and one hybrid. None of these was found in CEE countries, and only one in Mediterranean countries.

The major target groups of governmental public policies on SRI "are pension funds, followed by private investors" (Steurer *et al*, 2008, p. 19).

One of the most note legal instruments was the Belgian law, adopted in 2007, forbidding investors "to finance or invest in companies that are in any way involved with anti-personnel mines an cluster munitions" (Steurer, 2011, p.276). However, this instrument is softened by the low disclosure requirements for professional investors, and by the lack of sanction for offenders, that make difficult for authorities to monitor and impose the compliance with this law (Steurer, 2011).

Another important legal instrument was found in Sweden. Indeed, the Swedish National Pension Funds Act, adopted in 2000, required all Swedish pension funds to disclose annually information about how environmental and ethical issues are considered in their investment activities and "what impact these considerations have on the management of the funds" (Steurer, 2011, p.276).

This instrument has, in turn, led to the creation of a hybrid initiative, the Joint Ethical Council, established by four pension funds in 2007. The Joint Ethical Council "makes recommendations to the companies and pension funds, and if it concludes that a company does not meet the Council's CSR principles the pension funds may decide to divest their holding" (*ibid.*).

Other countries have also adopted regulation (usually softer than the Swedish one) requiring pension funds to disclose non-financial information about their investment operations, even if not all such instruments were included in the results of Steurer' surveys. Indeed, the UK was the first to require SRI disclosures with an amendment to the UK Pension Act which was adopted in July 2000 "to require trustees of occupational pension plans to disclose their policy on socially responsible investment as part of their Statement of Investment principles (SIP)" (OECD, 2007, p. 18). Similar disclosure regulation have also been adopted by Austria, Belgium , France, Germany, Italy and Spain (*ibid.*).

Two informational instruments were found in Austria (the website www.gruenesgeld.at) and in the Netherlands (the Dutch "Sustainable Money Guide"), while a very interesting economic instrument was found in the Netherlands, the Dutch "Green Fund Scheme", to which I will dedicate a chapter in the third part of the dissertation[22].

A study published by Eurosif in 2014 confirmed the interest of Western European governments in SRI and in particular, in the research of "ways to unlock the potential of SRI to contribute to more sustainable capital markets and business practices" (Eurosif, 2014, p. 4). At the same time, Eurosif highlighted the persistency of European investment industry trends in this field, characterised by an ever more diffuse recognition of the importance "of addressing non-financial matters when making investment decisions" (*ibid.*).

The study is based on a survey among asset managers and asset owners. It is aimed at measuring the size of the allocations of both retail and institutional SRI assets to each national markets, "on the basis of where the portfolio management team is located rather than where the client is" (*ivi.*, p. 9). In other words, "the study measures the size of the SRI management markets, rather than the SRI markets (supply not demand)" (Eurosif, 2014, p. 4).

[22] See p. 65

However, the Eurosif study is important to understand on which SRI assets national investment industries are more focused and to which extent they are.

Concerning the findings, SRI strategies are growing at a faster rate than the broad European asset management market. In particular, Exclusions "has gone "mainstream" as a strategy with by far, more assets covered than any other strategy, and with the most consistent usage across Europe" (Eurosif, 2014, p. 7), and in particular in the Netherlands which, with € 1,068,769 Mn of assets with an Exclusion strategy, is, by far, the frontrunner of the EU countries in this field.

In addition, "other strategies like Norm-based screening or Engagement and voting also exhibit impressive adoption rates (70% and 86%% respectively) and assets", while impact investing "is the fastest growing strategy, registering 132%" over the 2011-2013 period (Eurosif, 2014, p.7).

As showed by table 6 (next page), considering the aggregated data for all the SRI strategies, the UK have the broadest SRI management market in the EU, followed by France and the Netherlands.

In the UK, engagement and voting and ESG integration strategies are widely diffused, while French market is at the forefront of almost all SRI strategies, and particularly of norm-based screening.

Poland is the only CEE country studied by the survey. However it is indicative that its SRI management market covers the last position among EU countries. Indeed, Polish financial market is one of the most developed in the CEE region since, as at 31 December 2013, "WSE [Warsaw Stock Exchange] was a leader in the CEE Region in terms of capitalisation of listed companies", and that the Polish RESPECT index "is Central and Eastern Europe's first [and unique] social responsibility index"[23]. Thus, considering the importance of the Polish financial market in the CEE region and that SRI funds "do not constitute any significant part of Polish market investment funds" as well as that "their market share, measured by their net assets value at the end of March 2013, was responsible for as little as 0.22% (340 million PLN)" (Krawiec, 2013, p. 107), it would not seem arbitrary to assume that SRI markets of the other CEE countries are, at least, in their infancy or, maybe, not developed at all.

[23] http://www.sseinitiative.org/fact-sheet/warsaw-stock-exchange/

	A	B	C	D	E	F	G
Country	Sustainability Themed	Best-in-Class	A+B	Norms-based Screening	A+B+D	Exclusions Not Related to CM & APL	ESG Integration (Incl. Research Available)
Austria	€82	€4,575	€4,582	€5,467	€5,536	€26,983	€986
Belgium	€816	€17,132	€17,468	€20,235	€20,804	€226,026	€89,720
Finland	€220	€310	€380	€64,667	€81,792	€64,896	€46,075
France	€4,392	€173,213	€177,580	€1,119,040	€1,195,870	€472,660	€2,265,000
Germany	€4,127	€15,813	€19,451	€10,177	€21,989	€47,842	€10,990
Italy	€1,094	€3,917	€3,917	€351,754	€353,212	€491,251	€195,979
Netherlands	€20,163	€15,232	€34,785	€746,125	€747,025	€1,068,769	€629,236
Norway	€2,078	€44,484	€46,562	€798,682	€798,682	€797,254	€94,209
Poland	€0	€3	€3	€773	€733	€1,060	€0
Spain	€82	€1,961	€2,043	€14,247	€14,444	€92,401	€7,551
Sweden	€1,985	€48,151	€49,811	€420,718	€420,718	€435,891	€318,664
Switzerland	€11,061	€25,428	€33,505	€10,454	€35,828	€190,153	€19,910
UK	€12,860	€3,335	€15,097	€71,456	€81,956	€91,928	€1,553,800
Europe (13)	€58,961	€353,555	€405,204	€3,633,794	€3,778,589	€4,007,113	€5,232,120

	H	I	J	K	L	M
Country	ESG Integration (Systematic and Explicit Only)	Engagement & Voting	A+B+D+F+G+I	Exclusions: All CM & APL	Exclusions (All Overlay and Funds/Mandates)	A+B+D+G+I+L
Austria	nc	€2,060	€26,983	€15,000	€26,983	€26,983
Belgium	€22,006	€38,006	€226,026	€0	€226,026	€226,026
Finland	nc	€50,565	€101,602	€88,375	€95,248	€131,540
France	€440,000	€55,304	€1,728,880	€0	€472,660	€1,728,880*
Germany	€3,255	€11,736	€51,964	€882,061	€893,685	€897,945
Italy	€33,879	€54,372	€551,455	€496,561	€496,561	€551,931
Netherlands	€199,512	€649,198	€1,244,576	€0	€1,068,769	€1,244,576
Norway	nc	€321,245	€798,682	€797,254	€797,257	€798,682
Poland	nc	€578	€1,060	€1,060	€1,060	€1,060
Spain	€7,338	€9,103	€93,182	€92,397	€92,421	€93,202
Sweden	nc	€349,736	€648,965	€648,348	€648,348	€648,965
Switzerland	€7,754	€16,563	€204,634	€1,557,329	€1,561,974	€1,562,027
UK	€1,186,296	€1,717,461	€1,807,665	€458,820	€472,963	€1,973,148
Europe (13)	€1,900,040	€3,275,930	€7,485,674	€5,037,205	€6,853,954	€9,884,966

Table 6: European SRI data (Eurosif, 2014, p.21)

2. European national public policies

In this section, I will analyse public policies implemented by single EU Member States, evaluating features of the policy instruments deployed and their impacts on business.

I have chosen to select a country for each of the aforementioned ideal-typology models elaborated by Albareda *et al.* for the Western countries and Letica for the CEE countries.

The selected countries are Bulgaria, Poland and the Baltic States for the CEE region, and France, Spain, the UK and the Netherlands for the Western European region. At the end of the section, I will also analyse the Dutch Green Project Facility (or Green Fund Scheme), since it

is generally considered as one of the most effective national public policies in the field of CSR.

2.1 Bulgaria

According to the UNDP, "Bulgaria's economy contracted dramatically after 1989 and the standard of living fell by about 40%" (UNDP, 2007, p. 16). Indeed, after the fall of communism, "Bulgarian companies faced great challenges in adjusting to the principles of a market-based economy as well as in starting to be competitive and independent from the State" (Simonov and Stefanova, 2015, p. 316).

Since local companies were primarily concerned with their survival and government did not show interest in CSR, MNEs and international organisations were the first to introduce the concept in Bulgaria. Indeed, in 1998 "several multinational companies founded the first CSR network, the Bulgarian Business Leaders Forum" (*ibid.*) while, during the phase of pre-accession of Bulgaria to the EU, large international organisations (such as UNIDO and UNDP) "began investing in projects meant to bring Bulgarian business models and corporate cultures into closer alignment with their future EU partners through capacity-building activities, and the introduction of CSR awards" (*ibid.*).

As a consequence, CSR practices began to evolve from "activities of limited scope, unclear focus and fragmentation into more high profile and structured activities" (UNDP, 2007, p.16). The final result of this phase of evolution was the adoption of a National Strategy for CSR in 2009.

Bulgaria was one of the first five EU Member States to adopt and publish a national CSR strategy (Martinuzzi *et al.*, 2012, p.38) and this is quite surprising, since the Bulgarian government had not showed particular interest or commitment to the development of CSR.

The National Strategy, that was elaborated by the Ministry of Labour and Social Policy (MLSP), aimed to achieve "sustainable growth and quality of life" as well as supporting "dynamically developing sustainable business" (*ivi.*, p. 49). The Strategy implied the development of a variety legal (laws and regulations), economic (awards), informational and hybrid instruments, with the aim to raise awareness of stakeholder, strengthen the capacity of experts, create a favourable legal and institutional environment for the implementation of CSR practices, promote transparency and increase corporate responsibility on environmental protection (Martinuzzi *et al.*, 2012).

However, no information is available about the results of the Strategy and only few of the projected initiatives have been implemented, probably due to “the lack of funding from the state budget, which itself implies that fostering CSR has low priority on the (current) political agenda” (Simonov and Stefanova, 2015, p. 320).

A leading-by-example hybrid initiative was launched by the Bulgarian government in 2011, the Action Plan for Green Public Procurement. Its goal was to “determine the measures needed to encourage green public procurement practices (GPP) in Bulgaria” (*ibid.*), raising awareness of GPP, increasing its share of overall purchasing, and introducing non-compulsory GPP requirements.

In particular the Action Plan developed minimal energy efficiency criteria for five priority product groups: office IT equipment, air conditioning and ventilation, white goods (cleaning products and cleaning services), office lightening and public street lightening, motor vehicles[24].

However, the Action Plan has not achieved significant results in altering the share of GPP in Bulgaria, due to “ a lack of knowledge, know-how and incentives as well as the widespread belief that green products are more expensive” (Simonov and Stefanova, 2015, p. 320). Indeed, in 2013, the “total investment volume of the 29 contracts [awarded on the basis of the Action Plan] amounted to only ca. 50 million euros” while the general investment volume of public procurement orders in the construction sector for just the first 6 months of 2012 was almost 1 billion euros (*ibid.*).

In conclusion, nowadays, the low effectiveness of governmental public policies in Bulgaria, is reflected by a low level of penetration of CSR principles in the private sector. Indeed, “business are barely acquainted with the principles and practices CSR” and CSR is not generally perceived as a strategic approach or business model (Simeonov and Stefanova, 2015, pp. 321-322).

2.2 Poland

Contrary to other CEE countries, after the fall of the communism Poland has successfully pursued a policy of economic liberalisation, transitioning from a state-directed to a market economy. In addition, “Poland’s entry into the EU in 2004 has fostered economic growth and a stable commercial environment in its drive to modernize its economy and globalise its commercial activities” (UNDP, 2007, p.19).

[24] http://ec.europa.eu/environment/gpp/pdf/national_gpp_strategies_en.pdf

However, according to the World Bank survey of 2005, even after Poland's entry into the EU, the majority of Polish companies considered CSR to mean behaving ethically and acting transparently, while only few companies stated that addressing stakeholder concerns could be considered a socially responsible activity (UNDP, 2007).

In addition, CSR, even intended as business ethics and transparency, was not largely diffused, due to a drift towards the so-called "wild capitalism". Indeed, the economic transition had stimulated "the desire for freedom and economic independence, which was earlier stigmatized by the communist system, and therefore enhanced the competitiveness of companies on the free market", at the expenses of ethical rules and social morality (Potocki, 2015, p. 246).

Furthermore, Polish respondents did not consider the institutional and legal environment to be favourable to the adoption of CSR practices, due to the lack of an appropriate legal framework and to a mix of financial and governmental barriers such as "lack of government involvement, excessive focus on short-term gains, apprehension regarding government change of policy [...] and lack of appropriate institutions" (UNDP, pp. 19-20).

Finally, respondents stated that the adoption of tax incentives would be "paramount in improving CSR practices " (*ivi.*, p. 20).

According to Potocki, nowadays, although Poland has no longer recognized as a transition country, the economic, social and cultural problems occurring in the first years after the fall of communism "are still the reason for the lack of balance between the economic and ethical sphere" (Potocki, 2015, p. 249). In spite of such problems, the situation seems to have partially changed for better during the last decade, especially as regards the contrast to bribery and corruption. Indeed, "demand for the creation of ethical infrastructure in Poland resulted [...] in formulation of various codes" such as code for listed companies (Code of Best Practices for WSE listed Companies), code for financial institutions and code for banks (*ivi.*, 250, 253).

The reasons for these changes were, on the one hand, "the market development and the evolution of the stakeholders' expectations who are more interested in the social and environmental dimension of companies functioning" and, on the other hand, "the harmonization process within EU laws" which stimulated transfers of know-how from Western Europe (Aluchna, 2015, p. 279).

A crucial role is played by international organisations such as the International Business Leaders Forum, the UNDP and the World Bank, "which promote projects implemented mainly by NGOs" (Potocki, 2015, p.255).

Since 2009, the Polish government has also had “a vital part” (Potocki, 2015, p.255) in fostering the diffusion of CSR, transferring CSR ideas and practices and adopting CSR soft policies and appointing a CSR Team “which deals with producing recommendations promoting good practices and entering into dialogue with the key stakeholders (*ibid.*). The considerations of this group were taken into consideration for the drafting of the National Reform Program, published in 2011 in accordance with Europe 2020, and mentioning CSR as one task (Martinuzzi *et al*, 2012).

The government is active also as regards GPP. Indeed, in 2008 the Ministry of Economy adopted a document entitled “A new approach to public procurement: public procurement and SMEs, innovation and sustainable development”. The document envisaged the implementation of high GPP targets in tender procedures, even with the aim to raise awareness and promote education “among those who contract out and participate to tender procedures” (Kronenberg and Bergier, 2010, p. 176). An interested example of GPP procedure in Poland was reported by Kronenberg and Bergier. In 2009, a tender procedure was announced by the Polish government for “the provision of urban bus transport services in Krakow” (*ibid.*), and the selection of a tender was made conditional upon environmental criteria, in spite of the criteria of the lowest possible price. The result was noteworthy, since the winner tender offered a 100% LNG powered fleet (Kronenberg and Bergier, 2010) . The example is significant and demonstrates the commitment of the Polish government to GPP and CSR and to the introduction of higher investment expenditures in order to produce lower external costs (in this case in terms of pollution), even if, with a coordinated system of economic incentives in place, “there would have been more of these brave and beneficial procurements” (Kronenberg and Bergier, 2010, p. 177).

Concerning non-financial disclosure and SRI, in 2009 the WSE has established the RESPECT Index “which is the first index of companies respecting CEE rules in the EU” (Potocki, 2015, p. 255). In order to participate in the index, each company must meet requirements set up by the Code of Best Practices for WSE Listed Companies (*ibid.*). However, because of the lack of environmental and social requirements, “and also lack of interest among Polish investors in sustainable development this subject is not an area of interest for Polish listed companies” (*ivi.*, p. 256). As a consequence, in 2012, CSR reports on environmental and social issues were published only by 12 (public) companies listed on the WSE (Eurosif, 2014) and there is a clear need to introduce CSR rules and education programmes for investors (Potocki, 2015). In addition, as have already seen, SRI market is in its infancy and the situation probably will not change “unless legal regulations are introduced

that would force pension funds to disclose ESG data, requirements and standards concerning ESG reporting by WSE are specified and participant of financial market are appropriately educated" (Potocki, 2015, p. 256).

In conclusion, CSR is a concept that has started only recently to be promoted by the Polish Government. Until 2009, international organisations, and especially the EU, were the major drivers in this field. Despite the significant number of public policies adopted by the Polish government to raise awareness of this concept within business, the level of CSR penetration is still low, (as demonstrated even by Skouloudis' research)[25], even due to the effects of the years characterised by the "wild capitalism". This seems to demonstrate that, in presence of a socio-economic and cultural environment which is historically not favourable to CSR, public policies aimed at raising awareness and modifying the perception of business of what is to be considered as appropriate, in order to promote the adoption of CSR practices, need a considerable amount of time to be effective, especially if coordinated systems of legal requirements and economic incentives lack or are poorly developed.

2.3 Baltic States

The passage from the communist system to a free-market economic system has generated radical changes in the socio-economic environment of Baltic States.

Indeed, governments rapidly undertook reforms supporting free-market and privatisation which led to different economic results and to a common outcome, the emergence of wild capitalism.

In particular, in Lithuania wild capitalism resulted in a decade of "bank crises social and economic consequences of shady privatization processes and large numbers of qualified workforce emigrating" (Pučėtaitė and Pušinaitė, 2015, p.365), while in Estonia a dramatic economic growth was accompanied by losses of ethics and sense of responsibility (Kooskora, 2015).

Contrary to what stated by Letica, even if there are strong cultural and economic ties between these countries and the Nordic region, no evidences of a shift towards the Scandinavian social model would seem to exist.

In Latvia, understanding and CSR applications are at a very early stage of development (Ritvo and Feldmane, 2015). Indeed, there are neither specialist companies nor sufficient

[25] See p. 42.

information for companies willing to implement CSR practices, and very few pressure is exercised by government and society (Streimikiene and Kovaliov, 2007).

Lithuania is the most advanced country in the field of CSR (*ibid.*). Here, CSR started to be developed by the government in 2003 with the National Strategy for Sustainable Development while the public use of the term CSR dates from 2004 when the "National Network of Responsible Enterprises (NNRE), an informal association of 11 organizations, was established" (Pučėtaitė and Pušinaitė, 2015, p.366).

The Ministry of Social Security is the governmental organ in charge of promoting CSR. In 2006, in response to the requirements of EU harmonisation, the Ministry "created the Standing Commission for the Coordination of CSR Development, which was assigned responsibility for coordinating measures that promote CSR in Lithuania" (*ibid.*).

In 2010, an Action Plan for the Implementation of the National Programme for the Development of Corporate Social Responsibility for 2009-2013 (NPSR) was set up. The NPSR proposed "the creation of legal and institutional requirement for the development of CSR" (Martinuzzi *et al.*, 2011, p.72), but it was not officially approved.

In 2007 the government approved another CSR initiative, the Decree on the National Green Procurement Implementation Programme 2007-2011, which was aimed at promoting "the environmental dimension of CSR in business practice by increasing the demand for environmentally-friendly products from public institutions" (Pučėtaitė and Pušinaitė, 2015, p.368). However, lack of transparency, and the excessive focus on price as main parameter for the selection of tenders undermined "the credibility of political efforts to promote the CSR phenomenon" (*ibid.*).

In Estonia, even if national strategies such as the National Reform Programme Estonia 2020, approved in 2005, and the Estonian Strategy for Competitiveness 2009-2011, highlighted the importance of sustainable development(Martinuzzi *et al.*, 2011), a governmental CSR Action Plan was adopted only in 2012.

CSR was first promoted by NGOs and by the Responsible Business Forum, a non-governmental organisation established in 2004. Government's involvement started in 2010, with the development of a CSR platform. Such a project resulted in the National Action Plan of 2012, whose objectives were "to boost national competitiveness, improve civil governance, supplement the Government's social and environmental policy and benefit enterprises" (Post

event report, 2013, p.3)[26], expanding the system of certification for enterprises and raising awareness of CSR among entrepreneurs and stakeholders (*ibid.*).

All in all, CSR begins to be in the agenda of Baltic companies, even if some of these still consider CSR as an unnecessary luxury for business (Tampere, 2013, p. 4).

There are some common barriers to the further development of CSR in Baltic States.

First of all, cooperation between business and stakeholder is still weak and few institutionalised (Pučėtaitė and Pušinaitė, 2015). Second, low level of trust in public institutions are detectable both in Lithuania and in Estonia, as a consequence of a lack of responsibility and competencies as well as a certain cynicism (Pučėtaitė and Pušinaitė, 2015; Kooskora, 2015) reflecting the fall of ethical and social values being experienced during the years of the wild capitalism. Therefore, by now, the institutions have failed to transmit values and perspectives favourable to the development of CSR practices.

In conclusion, the lack of legal instruments and economic incentives would seem to have contributed to the persistence of the tendency, in the business sector, to focus much more on short-term outcomes, instead of focusing on long-term benefits which could arise from a consistent spread of CSR practices

2.4 France

As already seen, governmental activities related to CSR reveal a more regulatory approach, compared to other EU continental countries. Such a tendency seems to stem from traditional interventionist role of the French state which, during the 20th century, "gave to France an important social legislation, especially in employment law and social protection systems" (Beaujolin and Capron, 2005, p.97).

For instance, in 1977, France adopted the Law on Social reporting that positioned France as a frontrunner in the field of corporate non-financial reporting. Indeed, the law required that companies employing more than 300 people "had to provide reports on a comprehensive list of more than 130 indicators relating to employees and the workplace" (Maon, 2015, p.84).

Notwithstanding, the concept of CSR was first introduced in France by pioneer firms, while the French government began to show interest in CSR only later than other Western European governments, and as a response to "the international pressure coming from the Anglo-Saxon

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[26]Post event report. (2013). In: Peer Review on Corporate Social Responsibility. [online] ICF. Available at: http://file:///C:/Documents%20and%20Settings/User/Documenti/Downloads/Peer%20Review%20on%20CSR%20Report%20-%20UK%20-final%20130912.pdf [Accessed 10 Aug. 2016].

standardisation on social reporting (GRI), social certification (SA 8000[27]) or in relation to some proposals of social labelling" (Beaujolin and Capron, 2005, p.102), at the beginning of the 2000s.

Although the topic of CSR is relatively recent in France, it has rapidly spread, also due to "a strong political will to address CSR [which] arose, in the form of a substantial body of legislation that evolved rapidly at the turn of the twenty-first century" (Maon, 2015, p.82).

This new commitment to CSR was reflected in the 2001 Law on New Economic Regulation that extended the scope of non-financial disclosure, obliging "all companies listed on the Paris Stock Exchange's Primary Market [...] to report on their social and environmental impacts annually" (Maon, 2015, p.84).

However, this first CSR intervention proved to be affected by at least two shortcomings. Firstly, a uniform legal definition of CSR-criteria lacked, thus "without sanctions or specifications on form, length, or depth, the reporting performance of French companies varied greatly" (Lyndenberg and Grace, 2008, p.16).

Secondly, the legitimacy and credibility of reports was limited, since the law "did not have any provision for stakeholder dialogues" (Maon, 2015, p. 85).

In order to solve such issues, in 2002, the government introduced requirements for corporate disclosure and indicators for environmental performance through an administrative decree and, in 2003, a National Council for Sustainable Development was established (Maon, 2015). The Council brought together representatives of the civil society in order to develop a national strategy for sustainable developing for the period 2003-2008 that provided a national reference framework for companies and stakeholders, and promoted SRI (Beaujolin and Capron, 2005).

An active role of stakeholders was also at the core of the second national strategy for sustainable development for 2010-2013, approved after "an open, multi-stakeholder debate in the *Grenelle de l'Environment* forum" which included government, local authorities, trade unions, business, and voluntary sectors (Maon, 2015, p. 86).

The strategy foresaw the introduction of: legal instruments aimed at expanding information on social and environmental impacts; economic incentives such as tax credits and subsidised loans, to be accorded on the basis of the bonus/malus principle, as well as the application of a reduced VAT rate on eco-products; informational instruments aimed at promoting CSR and

[27] Standard created by Social Accountability International (SAI), "a non-governmental, international, multi-stakeholder organization dedicated to improving workplaces and communities by developing and implementing socially responsible standards". Information available at: http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=490

SRI and developing ecolabels; and hybrid instruments such as reference frame to harmonise assessments methods between firms, and support the creation sectorial databases and shared information systems (French Government, 2010)[28].

One of the main results of the strategy was the promulgation of the law on the National Environment Commitment, or *Grenelle 2 Act*, which mandated "a new, integrated reporting policy that expanded CSR requirements to more companies, with the goal of generating a new culture of governance" (Maon, 2015, p. 86). The legislation, passed in 2012, aimed to: 1) "expand and deepen the non-financial information included in annual reports" (*ibid.*) including information on companies' environmental and social performance; 2) "extend the application of the requirement to large-non-public companies" (*ibid.*) with more than 500 employees and total assets or net annual sales of €100 million[29]; 3) "strengthen the credibility of CSR-related information by requiring third-party verification of corporate reporting" (Maon, 2015, p.86).

Smaller companies were also expected to comply with the Law starting from 2014.

This law had a positive effect on French corporate disclosure, as seems to be demonstrated by the increase in the number of GRI reports. Indeed, the reports increased, in the period from 2012 to 2014, from 66 to 142, corresponding to an increase of 115% .

As "a growing number of French companies seem to be demonstrating improved quality and transparency in their reporting on CSR issues [...] and assimilating CSR into their business operations" (Maon, 2015, p.88), the French results seem to reflect the assumptions made by Ioannou and Serafeim. Indeed, according to them, mandatory CSR frameworks (MCSR) are particularly effective in affecting managerial decisions, since "after the enactment of MCSR laws and regulations in a focal country, aggregate perceptions regarding the social responsibility of business leaders improve" (Ioannou and Serafeim, 2001,p.3).

Therefore, these considerations seem to support not only the assumption that mandatory regulation affects private actors' behaviour by creating a level playing field, but also the view that values promoted and effectively propagated by governments can change the basic preferences and worldviews of firms and to be internalised into a holistic approach to business.

[28] French Government (2010). National Strategy for Sustainable Development 2010-2013. [online] Available at :http://www.developpement-durable.gouv.fr/IMG/pdf/NSDSp60.pdf

[29] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/France.aspx

2.5 Spain

The concepts of CSR and SRI started to spread in Spain at the end of the 1990s, in response to global trends.

However, political institutions began to show interest in CSR only after the publication of the European commission Green Paper in 2001.

During the first 2000s debates on CSR considered the latter "as a crucial key to a better understanding between stakeholders, instead of focusing, as has often been assumed, on issues of sustainability and environment" (Díaz and Ramos, 2015, pp. 415-416).

As a consequence, the first CSR political initiatives focused on create multi-stakeholder forums and working groups to seek consensus about the role that had to be played by the government.

Therefore, in 2005, a sub-commission of the Spanish Parliament was created, with "the objective of exploring the role that the Spanish government and public administrations should play in relation to CSR" (Díaz and Ramos, 2015, p.416). The sub-commission was composed by 61 experts and practitioners representing "business, trade unions, employer association and networks, government and public administrations, consumer associations, NGOs, investment organizations, consulting agencies, and academia" (*ibid.*).

In the same year, the Spanish Government created a Forum of Experts whose task was to make recommendations for the development of CSR in Spain.

The work of the Forum was moved forward by the State Council on Corporate Social responsibility, an inter-ministerial advisory and consultative body created in 2008, which is responsible for strengthening and promoting CSR policies in Spain (Díaz and Ramos, 2015).

In addition, some regulatory initiatives were undertaken to improve non-financial disclosure. In 2003, a Spanish law required to listed companies to submit their corporate governance to the *Comisión Nacional del Mercado de Valores* (CNMV)[30], on an annual basis, while the National Accounting Plan, approved in 2007, required to disclose "information about the environmental assets, provisions, investments and expenses in financial statements"[31].

More recently, the Spanish Government has increased the number of public policies based on economic and legal instruments. For instance, the General Directorate of Social Economy and

[30] The CNMV is the agency in charge of supervising and inspecting the Spanish Stock Markets and the activities of all the participants in those markets.

[31] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/Spain.aspx

CSR (Ministry of Labour and Social Affairs) provide grants "for training, dissemination and promotion of self-employment, social economy and CSR" (Díaz and Ramos, 2015, p.418).

The Sustainability Economy Law, adopted in 2011 included "financial market reforms to increase transparency and improve corporate governance in line with international agreements" (*ivi.*, p.417).

The Law expanded the minimum content required by the 2003 law in the corporate governance report, and required public companies to present a sustainability report (Díaz and Ramos, 2015), which had to give particular emphasis to gender equality and people with disabilities, in order to set the benchmark for sustainability reporting in the country [32].

The law also obliged corporations with more than 1,000 employees to publish CSR reports and to submit them to the State Council on CSR (Díaz and Ramos, 2015).

Nowadays, even if the recent economic crisis has caused some companies to stop their CSR practices, Spanish remains "one of the leading countries in social reporting" (*ivi.*, p.428).

2.6 The UK

CSR has a long tradition in the UK. In particular, according to Moon, during the 1990s there was "a broadening of CSR from community involvement to concern for socially responsible products and processes, and socially responsible employee relations" (Moon, 2005, p.55). This was the result of an increase of stakeholder engagement and demands for CSR and social reporting as well as of the launch of new governmental initiatives.

Such an interest in CSR opened the way, in 2000, for the appointment of a minister for CSR who was located in the Department of Trade and Industry (DTI). The ambition of the UK Government was to promote an integrated approach to CSR based on a complementary action of private, voluntary and public sector organisations (Vertigans, 2015).

In spite of a relative lack of strategy and coherency, a number of initiatives were implemented, especially concerning global supply chains, social exclusion, promotion of communities and employees' involvement (*ibid.*).

For instance, in 2000, the HM Revenue & customs (the UK's tax, payments and customs authority) revised the "Payroll Giving" initiative (previously established in 1986), an economic/fiscal initiative providing "tax exemptions for employees who give money to charities, meaning that their income tax liabilities are reduced" (Steurer *at al.*, 2008, p. 29).

[32] https://www.globalreporting.org/information/news-and-press-center/Pages/Spain-enacts-legislation-on-sustainability-reporting-following-in-the-footsteps-of-Sweden,-the-Netherlands-and-China.aspx

The Payroll Giving agency deals with most administrative operations and employees are free to choose the cause they want to support (they can be environmental or social and national or international issues).

In addition, employers who offer Payroll Giving schemes to their employees also benefit from the initiative. Indeed, in such a way they express their commitment to the community, improving their image and, at the same time, they are "allowed to deduct any arising administrative expenses from company profits for tax purposes" (Steurer *at al.*, 2008, p. 29).

In those years, the government also supported "a range of CSR organisations (e.g. Business in the Community, International Business Leaders Forum) and NGOs working with socially responsible business (e.g. Traidcraft Exchange, War on Want)" (Moon, 2005, p.59) and contributed to the creation of international initiatives such as the Extractive Industries Transparency Initiative (EITI), which "emphasised transparency and accountability to help citizens to benefit from a country's natural resources" (Vertigans, 2015, p.48), and the Ethical Trading Initiative (ETI).

In 2006, the Companies Act "compelled UK companies to publish sustainability reports and added a directors' duty of care for society and the environment" (Vertigans, 2015, p.47).

To this end, the Department for Environment, Food and Rural Affairs (DEFRA) issued Reporting Guidelines based on Environmental Key Performance Indicators (KPIs), to assist companies "with new narrative reporting requirements relating to environmental matters"[33], while the Business in the Community (BITC)[34] and Department of Trade established the Corporate Responsibility Index "to enable better informed comparative analysis and to further raise awareness" (Vertigans, 2015, p.47).

After the financial crisis of 2008 and the arrival of the 2010 Conservative/Liberal Democrat coalition government, there were "rapid public sector cutbacks, with families, civil society and business increasingly expected to fill in the gaps" (*ivi.*, p.48).

This new approach resulted in the launch of a new strategy aimed at opening public sector services. With the Open Public Services White Paper, the government committed to give "people more control over the public services they receive", and open up "the delivery of those services to new providers", with the hope that that would have led to better services for all (UK Government, 2011, p. 6).

An important role was assigned to innovative finance, such as Social Impact Bonds (SIBs). Indeed, in 2013, the government "encouraged new social funding through Social Finance, a

[33] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/UK.aspx

[34] The Prince's Responsible Business Network.

public company that invented the SIB concept and has facilitated the world's first SIB project; Big Society Capital (BSC)[35], a social investment bank" (Joy and Shields, 2013, p.40); and the Social Stock Exchange[36] (SSX) which was launched in late 2013.

SIBs were created in England in 2010 and are a form of "pay for results" based on "multi-stakeholder arrangements between a public authority, investors, a service provider and an intermediary organisation" (Davies, 2014, p.3).

In particular, "SIB development begins with a government entity engaging in a process of commissioning for service design" (Joy and Shields, 2013, p.40). The public authority identifies a project considered suitable for a SIB and then establishes "the project costs, the anticipated future savings, and the rate of return to investors if project outcomes are met" (*ibid.*). Then capital provided by private investors, by means of a intermediary organisation (such as a foundation), is used by a service provider "from the nonprofit, public, or private sector who have proven innovative delivery approaches in the given service area" (*ibid.*), to set up activities both bringing positive social outcomes for the beneficiaries and reducing future public costs (Davies, 2014).

Investors are repaid only if the desired results are achieved (in a binary SIB model), or on the basis of the increasing frequency of results (in a frequency scheme model) (Joy and Shield, 2013).

Such a scheme generates benefits for both investors and public authority. For the former, SIBs "are expected, over the long term, to provide rates of return equivalent to the market rate of other investments with similar levels of risk, e.g. equity investments" (Davies, 2014, p.5). In addition SIBs also provide a return to investors in terms of image and reputation.

The public authority does not have to find capital in setting up the social intervention, transfers the risk the risk of failure to private investors and no additional funds are needed to pay the return, "since if the goal is met, public savings generated by the social result will be greater than the promised investment return" (*ibid.*).

For instance, a SIB commissioned by the UK Department for Communities and Local Government and the Greater London Authority, which targets chronically homeless people in

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[35] The BSC was launched with UK government assistance in 2012 and it is the world's first social investment bank. It "acts like an investment bank, investing in social finance intermediaries with the aim of creating a social investment market" (Davies, 2014, p.5).

[36] The SSX was launched at the G8 Social Investment Summit. It "seeks to connect socially focused business with investors looking to generate social or positive change as well as financial return from their investment" (Eurosif, 2014, p.28).

London, is expected to pay out up to £5 million to investors if optimal outcome are achieved.[37]

However, considering that "the public cost of a homeless person in the UK is about £8 000 per year, which represents more than £30 million over five years for a group of more than 800 chronically homeless people in London" (Davies, 2014, p. 5), the British government would obtain a significant saving.

All in all, the rise of interest in socially responsible behaviour in the UK has been accompanied by the emergence of CSR-related professions and of numerous consultancies, such as AccountAbility and SustainAbility, "which stress their values, ethics, integrity and contributions to sustainable development" (Vertigans, 2015, p.51).

As highlighted in this chapter, the UK government has played a central role in supporting and giving voice to CSR organisations that, nowadays, are key push factors for CSR propagation within the business and financial sectors.

In addition, by creating innovative instruments aimed at increasing the social contributions of firms and other private actors, the government has provided economic incentives favouring private social investments and the establishment of partnerships and solidarity schemes, which contribute to the diffusion of values related to CSR.

As a result, according to Vertigans, the UK is considered to be a global leader in CSR and recent studies suggest that the increase of percentage of large British corporations reporting their CSR initiatives is indicative of their "increasing awareness of integrating corporate social responsibility into their operations across strategy, governance, risk, performance and opportunities" (Vertigans, 2015, p.50).

2.7 The Netherlands

According to Cramer, CSR has a long history in the Netherlands. Indeed, "towards the end of the 19th century socially responsible entrepreneurship was becoming an issue among some frontrunners in industry" (Cramer, 2005, p. 87). Social and environmental concerns have come to the forefront of the governmental agenda between the 1950s and the 1960s, and after the introduction of public systems of social security, "the focus of socially responsible

[37] The key objective is to get people off the streets as early as possible, with incentives to then help them move into settled accommodation, and employment where possible, as well as to reduce chaotic use of the National Health Service, measured by number of Accident & Emergency (British term for a hospital's emergency department) visits. Information available at: https://data.gov.uk/sib_knowledge_box/greater-london-authority-homelessness

business shifted from providing social services for the company's own employees to social issues of concerns beyond the wall of the company itself" (*ibid*, p. 88).

In addition, during the 1970s, environmental laws and regulation "led to a rather defensive attitude of companies towards improving their environmental performance", thus the intervention of the Dutch Government promoted a "more pro-active industry" and propagated "a new philosophy called self-regulation" (Cramer, 2005, p.88.).

In the 1990s, CSR has gained even more importance, due to a fertile ground and to the shift in power relations between government and business. Indeed, "on the one hand public authorities tended to leave a number of tasks that traditionally carried out themselves, to the private sector. On the other hand, they were also required to give "a clearer lead by setting the frame of reference in which companies must operate" (*ivi.*, p. 89).

In the Netherland, a key role is played by an advisory body of the government, the Dutch Social and Economic Council (SER), which, in 2000, published the report "Corporate Social Responsibility – A Dutch Approach" a document highlighting that "social activities of a firm are an inseparable element of corporate policy" (Cramer, 2005, p.90).

In response to this document, the Dutch government published in 2001 the document "Corporate Social Responsibility: the Government perspective", endorsing the main lines of the SER advice, revitalised the National Contact Point for Multinational Enterprises, the advisory body responsible for promotion and diffusion of the OECD Guidelines, and set up an information centre for CSR, to be used by industry (Cramer, 2005).

In 2004, the government, following the advice of the SER, set up the "Knowledge and Information Centre on CSR", a hybrid instrument aimed at raising CSR awareness and capacity building that "combine partnering and informational aspects" which coordinates "CSR activities in the Netherlands, disseminates information on CSR, and promotes dialogues and partnerships" (Steurer, 2010, pp. 11-12).

In December 2007, the Dutch government published the document "Government Vision on Corporate Social responsibility 2008-2011 – Inspiring, innovating, integrating" whose main objective was "to affect the behaviour of entrepreneurs and to influence the overall attitude towards CSR", raising the awareness of "the societal effects and responsibilities that accompany entrepreneurship, and the opportunity that CSR offers" (Martinuzzi *et al.*, 2011, p. 81). The Dutch Government aimed to achieve such objectives through seven ambitions: continuing to promote knowledge and awareness; improving transparency and accountability; focusing on the CSR boosters; linking CSR to innovation; strengthening international CSR diplomacy; getting to work on CSR in the international chain; the government as a model.

Concerning transparency and accountability, the government aims to increase the importance on National Contact Points, and move towards a world-wide standard of reporting with the GRI (Martinuzzi *et al.*, 2011). As a consequence, in a letter dated 24 April 2009, the Netherlands Minister of Finance informed Parliament that he expected "the largest Dutch State Holdings to use the GRI Guidelines in their reporting practices, with due consideration of the effort needed to implement reporting practices and the goals that different companies expect to reach through reporting".[38] The governmental efforts to increase the number of GRI reports seem to have been successful, since between 2009 and 2011 the number of reports registered on the GRI list increased of almost 96%, from 54 to 106. In addition, as part of the Netherlands' seven ambitions plan, the Minister also expected "to include all the largest holdings in the national Transparency Benchmark of the Ministry of Economic Affairs",[39] that is "an annual research on the content and quality of CSR reports of Dutch companies" through which the participating companies "contend for The Crystal prize, a leading price in the area of social reporting in the Netherlands"[40].

As regards SRI, the Dutch government has historically played a pivotal role, as demonstrated by the adoption, in 1995, of the most important economic SRI initiative in Europe, the Dutch Green Fund Scheme.

Concerning the "Government Vision on Corporate Social responsibility 2008-2011", two of the seven ambitions of the Dutch plan focused on financial instruments. Indeed, concerning "focusing on the CSR boosters",[41] the government aimed at favouring the expansion of CSR in the financial sector and the increase of the role of private funds in this field, while, with regard to "the government as a role model" ambition, the government wanted to lead by example "integrating CSR (more) into financial instruments offered to the business community" and "integrating CSR into its own core activities" (Martinuzzi *et al.*, 2011, pp. 82-83).

Another instrument aimed at integrating CSR into the financial market was the law approved in January 2013 banning investments in cluster munitions. In addition in September 2013 the government published governance code for pension funds requiring to these to define a

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[38] https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/Netherlands.aspx

[39] *Ibid.*

[40] In addition, companies "acquire knowledge of the generally accepted criteria for corporate social responsibility reporting, obtain insight into possible improvements and have the possibility to compare their own score with other companies inside and outside their own industry".
(Information available at: https://www.transparantiebenchmark.nl/en)

[41] "Boosters are represented by those companies that are taking the lead in CSR (fron-runners), NGOs, social partners, stakeholders, the financial sector, private funds and consumers" (Martinuzzi *et al.*, 2012, p. 82).

responsible investment strategy and make that available for stakeholders (Eurosif, 2014, p.50).

As a consequence of the governmental interventions, according to Eurosif, “almost all asset managers in the Netherlands have a Responsible Investment strategy and instruments” (Eurosif, 2014, p. 50). Moreover, the Dutch SRI market is growing rapidly, also thanks to a supportive regulatory framework and consumer awareness, to such an extent that “some indicate that SRI will become more important, whilst others state that it will fully integrate with mainstream investments and therefore will not exist any longer as a separate market” (Eurosif, 2014, p. 50).

In conclusion, CSR awareness is widely diffused and, even as a consequence of the initiatives adopted on the basis of the government’s CSR strategy for 2008- 2011, “CSR has become a much more familiar concept in the Netherlands and is being practised increasingly by Dutch businesses”[42] (Government of the Netherlands, 2013, p.3).

2.7.1 The Dutch Green Project Facility (or Green Fund Scheme)

Currently, SRI takes prominently the form of screened mutual funds. According to Benijts (2009), such funds can be defined as funds developed by asset managers and commercialized by financial institutions, which only invest in companies and countries that meet determined financial and non-financial criteria. When screened mutual funds use “an entire set of social, environmental and ethical criteria”, they are referred to as “sustainable investment funds”, “green funds” or “socially responsible investment funds” (Benijts, 2009, pp. 1155-1156).

In the last decades, some governments have introduced SRI disclosure regulations for pension funds, obliging them to provide information about the amount of money invested in sustainable investment funds.

Two European countries have also gone further this kind of regulation, implementing public policies targeting individual investors committed to invest in green projects. These countries are the Netherlands and Belgium.

In particular, the Netherlands offer a wide range of tax-supported and non tax-supported instruments. The Dutch tax support “consists of subsidies and exemptions, relating to the returns from savings and investment accounts that are orchestrated under the so-called Green Project Facility (GPF)” (Scholtens, 2007, p. 1094).

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[42] Available at: file:///C:/Documents%20and%20Settings/User/Documenti/Downloads/csr-pays-off%20(3).pdf

The GPF, or Green Fund Scheme, was developed by three Dutch Ministries, and introduced by the Dutch tax office in 1995.

The Dutch government defines the GPF as "a tax incentive scheme enabling individual investors to put money into green projects that benefit nature and the environment" (NL Agency, 2010, p. 3).

The GPF is composed by a tripartite structure whose branches correspond to the Green Project Scheme, the Green Institutions Scheme and the tax incentives for individual investors.

The Green Project Scheme "designates projects that are eligible for green project status [on the basis of] few technical and financial conditions" (NL Agency, 2010, p. 4). The main of such requirements is that the projects must have an immediate and significant environmental positive impact.

In addition, the required return of the project has a minimum threshold and an upper bound (Scholtens, 2007, p.1095). Indeed, the project "has to generate at least some (expected) positive return" while "the return is set in such a way that, given the risk of the project, conventional financing would be available" (*ibid.*).

Candidate projects are examined by the government and, if they are considered to meet all the aforementioned criteria, they obtain a green certificate (valid for ten years) and become eligible for green financing (NL Agency, 2010).

The banks that participate in the program "issue bonds with a fixed value, term and interest rate in a green investment fund" (NL Agency, 2010, p.3). These green intermediaries are selected by the Finance Ministry on the basis of the requirements provided by the Green Institutions Scheme.

In particular, they are obliged allocate at least 70% of their assets to green projects (Benijts, 2008). Usually, green funds pay to investors an interest rate or dividend lower than the market rate, thus banks can offer cheaper loans to green projects[43] (Thornley *et al.*, 2011).

This lower interest rate is offset by a tax incentive. Indeed, while "an individual investor would normally pay 1.2% capital gain[44] tax on the amount invested", investments in green funds are exempted "up to about five thousand euros per person" (NL Agency, 2010, p.3). In addition, green investors also benefit of a 1.3% reduction from income tax[45] on their green capital, so the total of their tax reduction amounts to 2,5% (*ibid.*).

GPF is both a legal and economic policy instrument, since it requires regulation to govern green funds and economic incentives to promote them. The rational driving the project is that

[43] About 1% under the going rate.

[44] Profit realised from the sale of a capital asset of from increases of its value.

[45] Tax on the income (interest payments, dividend yields) realised from the investment.

tax incentives can influence individual behaviour, by affecting the cost/benefit calculus related to their investment and saving decisions.

As regards the effectiveness of this policy, I will analyse both the demand side (investors) and the supply side (investment funds and banks).

Concerning the demand side, two options are offered by banks to private individuals. They can "choose either to put their money in a saving account or make a low risk investment" (NL Agency, 2010, p.3).

With regard to investments under the GPF, according to a study reported by Scholtens, in 2005 investment funds with a GPF-status earned a positive return, even if they significantly underperformed their non-GPF benchmark (Scholtens, 2007). By contrast, as regards savings, since "the *net* return on GPF savings is above that of its promised (gross) interest rate", as a result of the tax advantage of 2.5% allowed by the GPF, the "average net return on GPF savings is significantly above that on ordinary savings, *viz.* 4 per cent against 2-3 per cent" (Scholtens, 2007, p.1099).

In addition, risk of GPF and conventional savings are the same, since they are both offered by institutions subject to the "Dutch deposit insurance scheme", insuring deposits up to €40,000 (*ibid.*).

Since financial performance of the GPF investment funds seemed to be poor, while that of GPF savings was significantly better than that of conventional savings, Scholtens concluded that "CSR performance of socially responsible investments differs according to the financial instrument being analysed" (Scholtens, 2007, p.1099).

However, some evidences indicate that individual saving behaviour was influenced by the economic incentives. Indeed, the Green Funds Scheme is generally accepted as a success (Thornley *et al*, 2011) since, as underlined by Benijts, "an increase in the number of sustainable investors did coincide with an increase of private sustainable investment funds", and, at the same time, "an increase in the number of the projects being financed as well as an increase in the financial means invested in these projects was detected" (Benijts, 2008, p.1165).

Such conclusions were supported also by Thornley *et al.*, according to which, between 1995 and 2008, investors participating to the programme contributed more than €6.8 billion for the financing of 5,000 projects and the GPF "was responsible for more than half of the growth of socially responsible savings and investments in the country" (Thornley *et* al, 2011, p. 60).

While strong causal proximity between the favourable net return on GPF savings and the increase of socially responsible savings seems to be evident, more difficult is to explain the

increase of SRI. In this case, as also recognised by Benijts, the increased awareness and attitudes of investors towards sustainable investment and CSR, could have been a complement to the tax incentive, even if it does not appear to fully explain the dramatic increase of SRI following the introduction of the GPF (Benijts, 2008).

Concerning the supply side, "in addition to an increased number of sustainable investors, more sustainable investment funds also emerged" (Benijts, 2008, p. 11). There are two main reasons for such an outcome.

Firstly, government regulation channelled the great demand for sustainable savings and investments only towards those intermediary that met the specific requirements imposed by the Green Institutions Scheme. Thus, the regulation acted as "a catalyst for the development of the market of social responsible savings and investments" (Scholtens, 2007, p.1102).

Secondly, all the major Dutch banks[46] participated because, thanks to the low interests on the financial assets in the portfolio of their investment funds, they were able to realise profits and, at the same time, they had the possibility to improve their image, financing projects related to the environment, such as organic agriculture and green greenhouses as well as renewable energy and nature conservation.

All in all, the GPF can be considered a successful CSR public policy since, by means of the combination of legal and economic instruments, it was able to create a level playing field for the financial intermediaries and to positively influence the benefit/cost calculus of both intermediaries and investors, favouring demand for and supply of SRI.

3. Results

The results of my analysis show that at least two historical critical junctures, or critical moments of substantial institutional change, can be considered to have played a decisive role in shaping the institutional approaches to CSR, in CEE and Western European Countries. The first critical moment was characterised by two opposite tendencies in the two European macro-regions. Indeed, in 1990s, the emergence of civil society, in response to globalisation and the growing economic influence of MNEs, generated a significant increase in political pressure on business, especially in the most developed countries. This, in turn, led, in Western Europe, to an increased interest in sustainable development as well as in related concepts, such as corporate governance and CSR.

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[46] ABN AMRO Groenbank, ASN Groenprojectenfonds, Fortis Groenbank, Fortis Groen Fonds, ING Groenbank, NationaalGroenfonds, Rabo Groen Bank, and Triodos Groenfonds.

By contrast, during the same years, the fall of communism in the CEE countries opened the way for a substantial institutional change, characterised by the passage from state-based to market-based economies. One of the consequences was the complete dismantlement of the social system and a rapid deregulation of the market. Such an institutional change deeply affected the behaviour of private actors, causing a general abandon of ethical principles in favour of self-fulfilment aspirations and of survival concerns within a market dominated by the so-called "wild capitalism"

The second CSR-related critical juncture appeared to be in the first 2000s, with the official recognition of the relevance of CSR for the EU Member States expressed by the European Commission in the 2001 Green Paper, and with the first EU eastern enlargement in 2004. This critical juncture had relatively soft effects on Western European countries, which began to implant CSR policies in socio-economic systems which were already generally characterised by multilateralism, extensive welfare states and by public attention to societal concerns. By contrast, the change was obviously more revolutionary for CEE countries. Indeed, CEE governments, being embedded in a new institutional system, were significantly pressured to shift their attention from mere economic growth to sustainable development and to adopt CSR strategies. However, as a consequence of the wild capitalism years, the CEE institutional environment was significantly unfavourable for the development of CSR for at least two reasons. First, as the results of my analysis show, the business sector was generally not expected to cover any public role, thus social responsibility and social care was considered to be a primary role of governments. Second, in many CEE countries, there was an insufficient commitment to sustainable development by business as well as a lack of know-how in relation to the implementation of CSR practices, as a result of a lack of governance systems based on multi-stakeholders forums and groups, and CSR related business associations and networks. As a result, the ability of stakeholders to influence business in favour of the adoption of CSR strategies and the capacity of governments to disseminate information about CSR advantages and best practices were very low.

Such assumptions do not seem to falsify the assumption at the basis of my hypotheses, according to which CSR national public policies aimed at solving collective action dilemmas increase the number of CSR practices. Rather, institutional critical junctures, and the related outcomes, represent antecedent variables that must be taken into account and integrate the calculus approach, in order to conduct a complete and comprehensive analysis of the causal correlation between CSR public policies and the diffusion of CSR practices.

As concerns national public policies, the results of my analysis show that CEE countries, under the pressure of international organisations and of the EU has begun to undertook CSR initiatives since the first 2000s.

In Bulgaria a CSR National Strategy, implying a variety of financial, legal and informational instruments, has been adopted. However, due to a lack of serious governmental commitment and of funds, Bulgarian initiatives seem to correspond to little more than rhetoric. As a consequence, Bulgarian government has neither provided economic benefits to influence the cost/benefit ratio of private actors nor has created a level playing field.

Baltic States have adopted few informational and promotional CSR public policies, which, in the absence of a clear political commitment, regulation and incentives, have proved to be poorly effective.

By contrast, Poland has been quite active in promoting CSR during the last decade, as demonstrated, for instance, by some initiatives in the GPP field and by the creation of a CSR team in 2009. However, the Polish Government has neither systemically provided economic incentives for CSR nor has adopted regulation to guarantee a level playing field and to limit private actors' attitudes to free ride.

In addition, policies aimed at spreading values related to CSR and providing information has demonstrated to be ineffective, maybe due to the "legacy" left by the years of wild capitalism in terms of imbalances between the economic and the ethical spheres.

As a consequence, low levels of CSR penetration within the business sector, a low number of non-financial reports, and a SRI market being still at its infancy, in Poland, seem to demonstrate that CSR instruments aimed at raising awareness of CSR are, at least in the short time, insufficient without economic benefits and regulation, especially in countries where firms and other private actors are not used to being socialised into public roles.

Contrary to CEE countries, Western European countries have adopted CSR strategies and public policies which have proved to be effective at solving collective action dilemmas and stimulating the adoption of CSR practices in the private business and financial sectors.

Even if the topic is relatively recent in France, the French government has adopted a comprehensive set of strategies and public policies involving the use of financial, informational and legal instruments.

The rapid increase of the number of CSR adopted in France is an evidence of the strong correlation between such instruments and the penetration of CSR within the private sector.

More specifically, the Grenelle 2 Act has demonstrated that regulations providing mandatory CSR frameworks are significantly effective at fostering the diffusion of non-financial disclosure, even in the short term.
CSR strategies based on regulation and on the involvement of stakeholders have proved to be effective even in Spain, which, nowadays, is one of the international leading countries in social reporting.
CSR has a long tradition in the UK. Thus, it is quite natural that it is considered a global leader in CSR. However, the British approach based on informational instruments, economic incentives, and innovative finance seem to have led to a further significant increase of CSR practices, and especially non-financial disclosure and SRI, during the last 10/15 years.
Finally, the Dutch approach to CSR consists of a set of legal and financial instruments that has proved to be very effective at increasing non-financial disclosure and SRI.
In particular, the Dutch GPF, an instrument combining regulation and economic incentives, successfully provided economic incentives for SRI and created a level playing field for financial intermediaries.
In conclusion, public policies providing economic incentives, and contributing to the creation of a level playing field, by means of regulation, have proved to effectively foster the growth of CSR practices in the business and financial sectors.
Informational policy instruments aimed at disseminating best practices and raising awareness of CSR has proved to play a complementary role. However, such policies do not seem to be effective in the short term if they are not integrated with financial and/or legal instruments, especially in countries where private actors are not used to be socialised into systems of governance and have not internalised norms and values associated to a public and social role.
In conclusion, there seem to be a strong causal relation between the retard of CEE countries concerning the diffusion of CSR practices within the private business and the financial sectors, and the absence of legal and financial policy instruments deployed by the CEE governments.

Conclusion

The aim of this dissertation is to identify the reasons for the existence of a gap between the number of CSR practices adopted in Western and Central Eastern European countries.
Therefore my research question was:

RQ: *Why is there a gap between the number of CSR practices adopted in Western and Central Eastern European countries?*

More specifically, my dissertation focuses on the role played by national public policies in creating a favourable environment for the diffusion of CSR practices and SRI among private companies and investors.
On the basis of academic references, I have assumed that a widespread implementation of CSR practices can produce positive outcomes for whole business and financial sectors, such as pre-emption of mandatory rules and increased reputation and public trust, and that private actors behave strategically, that is on the basis of a set of preferences and on a cost/benefit calculus. In the light of such assumptions, the adoption of CSR strategies by firms can be considered to be subject to collective action dilemmas.
Therefore, I have chosen to base my analysis on rational choice institutionalism and the calculus approach, according to which institutional actors can affect individual behaviour, by imposing constraints and providing information, sanctions and rewards.
On those grounds, I have hypothesized that collective dilemmas can be tackled by public authorities, which, by providing economic incentives, information and regulation, influence the benefit/cost calculus of private actors, raise CSR awareness and create a level playing field.
Thus, my hypotheses were the following:

H1: National public policies deploying financial instruments are able to influence the cost/benefit calculus, made by private actors, in favour of the implementation of CSR practices.

H2: National public policies deploying legal instruments, which contribute to creating a level playing field and limit private actors' propensity to act as free riders, increase the number of CSR practices implemented within the private business and financial sectors.

H3: National public policies deploying informational instruments, by affecting the choice-agenda and providing information which reduce uncertainty, contribute to solving coordination problems and increase the number of CSR practices implemented within the private business and financial sectors.

My analysis has focused on: 1) seeking for positive correlations (causal proximity) between such kinds of national public policies providing economic benefits and limiting private actors' propensity to free ride and the diffusion of CSR practices implemented by private actors of the business and the financial sectors; 2) assessing to which extent such kinds of public policy are decisive for the diffusion of CSR practices (causal contribution).

To do that, I have used a deductive hermeneutic method based on the causal claims embedded in the institutional theory and supported by empirical quantitative and qualitative data.

I have first measured the CSR gap between Western and CEE countries and assessed its features, taking into account different parameters, namely: CSR engagement, CSR penetration, the number of non-financial reports published on the GRI list, and the size of national SRI management markets.

To this end, I have used an indirect surveys (UNDP, Eurosif) the GRI database and an index elaborated by Skouloudis (2014) to obtain quantitative and qualitative data.

Then, I have assessed features and impacts of CSR strategies and public policies adopted by single Western governments (France, Spain, the UK, and the Netherlands) and CEE governments (Bulgaria, Poland, and Baltic States).

I have selected the analysed countries on the basis of the ideal typology models trough which Albareda et al. (2007) and Letica (2008) grouped European countries, and I have particularly focused on regulatory frameworks concerning non-financial disclosure, public policies aimed at increasing CSR awareness and incentives offered to private actors to increase the levels of SRI.

I have also analysed a significant case study, the Dutch Green Project Facility, which has proved to be a strong evidence of how a public policy combining economic and legal instrument can successfully create a level playing field and positively influence the benefit/cost calculus of both financial intermediaries and investors, increasing the levels of SRI.

I have divided my dissertation into three parts. In the first part, a definition of CSR has been provided and the theoretical framework has been developed. In particular, CSR has been defined as a concept combining a strategic approach to stakeholder management and a holistic business strategy based on the triple bottom-line principle, through which firms integrate economic, social and environmental concerns.

Then I have explained the main claims embedded in the rational choice institutionalism and I have integrated them with concepts proper of the cultural approach and of the historical and sociological institutionalisms, such as critical junctures and processes of internalisation of values and norms, in order to supplement the insights of my approach, and to take into account a greater number of elements, which have been useful to find links between my variables, and other relevant factors.

In the second part, I have delineated the CSR-related international and European policy frameworks.

As concerns the international framework, I have briefly described some of the most important international instruments developed and formally agreed by governments, (ILO declaration and the OECD Guidelines), international initiatives developed by intergovernmental bodies (UN Global Compact), and international initiatives endorsed by governments (ISO 26000 and the GRI list).

Concerning the European framework, I have described some of the most important CSR-related documents adopted by the European Commission, and by the European Parliament and the Council such as: the 2001 Green Paper, "Promoting a European Framework for Corporate Social Responsibility"; the 2011 Communication calling for "A renewed EU strategy 2011-2014 for Corporate Social Responsibility"; and the Directive 2014/95/EU on "Disclosure of non-financial and diversity information by large companies and groups".

In this part of the dissertation, I have also enumerated the most diffused CSR practices and the national public policies taken into account in my analysis.

Finally, in the third part, I have analysed the collected data. The results indicate that a strong positive correlation seems to exist between the adoption of national public policies deploying legal and financial instruments and the number of CSR practices implemented in the private business and financial sectors. Therefore, H1 and H2 seem to be confirmed. By contrast, only a weak correlation seems to exist between the adoption of national public policies deploying informational instruments and the number of CSR practices. Indeed, even if informational policy instruments can be considered to play an important complementary role, they, in themselves, are not sufficient to increase the diffusion of CSR practices if they are not

integrated with legal and/or financial instruments. Thus, H3 has been only partially confirmed.
More in general, in the light of the results arisen from my analysis and of the claims embedded in the institutional approach to CSR, according to which, individuals act strategically (or at least, quasi-strategically), in order to maximise their set of preferences, while institutions, affecting individual action, can contribute to solving collective action dilemmas and leading actors toward potentially better outcomes (Hall and Taylor, 1996), we can conclude that there seems to be a strong causal correlation between the lack, in CEE countries, of CSR national public policies deploying legal and financial instruments, and the gap between the number of CSR practices adopted in Western and Central Eastern European countries.
As underlined by Campbell, only a little literature has systematically developed an institutional analysis of CSR, thus I hope that my dissertation will given some good starting points for further research on the effects generated by CSR public policies.
In addition, only recently rational choice, historical and sociological institutionalist paradigms have begun to draw closer to each other, since "the three schools of thought developed quite independently of each other" (Hall and Taylor ,1996, p.3) and have "remained largely isolated" (Campbell, 2006, p.925). To that extent, my theoretical framework, combining the three approaches, could be of some interest.
My analysis is affected by two main limits. First, my research is limited in scope, since it focuses only on target group effectiveness but it does not take into account the impacts on society generated by CSR, and thus, in turn, by CSR public policies.
Second, as underlined by Gysen *et al.* (2006), basing the assessment of the causal contribution between two variables on the claims embedded in a grand theory is a method which is confronted with the problem of the lack of an generally accepted theory. Indeed, as "no single grand theory can explain all causal links in social science, and hence in policy contexts" (Gysen *et al.*, 2006, p. 107), I have tried to supplement rational choice institutionalism with historical and sociological elements but, however, some factors, such as the influence exerted by public opinion and stakeholders on firms, have been only partially taken into account.

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Abstract

The increase of political and social pressures on business over the last decades, even as a consequence of the explosion of the role and influence of NGOs, and the decreasing capacity of governments to adequately regulate the behaviour of multinational enterprises due to the process of globalisation, have produced a dramatic expansion of civil regulation.

Civil regulation can be defined as norms "based on soft law or private law rather than legally enforceable standards" and that typically employs private, non-state, market-based regulatory mechanisms, such as producer certification, product labelling, third-party auditing, and information disclosure[47].

Civil regulations are aimed at reducing externalities of business in terms of environmental and social damages and have often their origins in naming-and-shaming campaigns against particular enterprises or entire sectors.

Indeed, firms are interested to avoid public criticism and to pre-empt the risk of the adoption of more stringent governmental rules, since the flexibility of civil regulation represents a noteworthy advantage in comparison with the rigid norms of hard law.

In other words, since civil regulations employing self-regulatory mechanisms can be implemented without excessive influences on the market, they are more appealing for firms, and often for governments which decide to incentive them. As a consequence, such regulatory mechanisms have entered into the business strategy of a number of MNEs as a component of their risk management and public relations policies[48].

However, self-regulation is only part of the "plethora of non-state and public-private governance arrangements focused on setting and implementing standards for global production in the areas of labour rights, human rights and environment"[49].

Such a new form of transnational regulation is defined by Abbott and Snidal as "regulatory standard-setting" (RSS) [50]RSS schemes can be controlled by states, firms or NGOs, by one or two of these actor types or also, in some cases, through a tripartite structure. The regulatory process is composed of five tasks, namely agenda setting, negotiation, implementation, monitoring and enforcement (ANIME). There are four key competencies for an effective RSS

[47] Vogel, 2009, p.189.
[48] Vogel, 2009.
[49] Abbott and Snidal, 2009, p.67.
[50] *Ibid.*

scheme: independence (important for A M E); representativeness (for N E); expertise (for ANIME); and operational capacity (for I M E).

In the domestic context, states have often all of these four competencies, while, in the transnational context, they have less operational capacity and information than firms. Finally, they lack business expertise both at the domestic and the transnational level.

By contrast, firms "have strong operational capacity [...], internal authority and access, and managerial systems"[51]. These characteristics, summed to business expertise, make firms the more efficient actors in relation to the stage of implementation. At the same time, firms especially lack independence, so they do not have the same legitimacy and credibility of states, and of the most important and recognised NGOs, so they are not the best actor type in the fields of monitoring and enforcement of the rules of business standards and codes of conduct.

All in all, it is difficult for a single actor type to manage all the stages of the regulatory process and, thus, collaboration among firms, governments and stakeholders seems to be the best strategy for an effective regulatory process.

The emergence of a new global corporate governance based on the implementation of RSS schemes by firms and on civil regulations is part of a quite recent change of perspective on the role of firms within the society. In particular, the redefinition of societal interests and advocacy has put into the forefront of corporate and state concerns a concept evolving since the early twentieth century: corporate social responsibility (CSR).

According to Steurer, while new governance highlights that governments are not able anymore to deliver public services and achieve public policy goals through hierarchical governance, and that networks and partnering policy instruments have become new government tools, CSR indicates that "the private sector has accepted the sharing of public responsibilities in recent years, not entirely voluntary but rather due to pressures exerted by various non-state stakeholders"[52].

In addition, CSR has partially shifted the focus from the global to national level, with regard to the contribution of enterprises to social and environmental concerns. Indeed, the adoption of national strategic plans and public policies to promote and incentivise the implementation of CSR practices, has allowed not only for the diffusion of the basic ideas of CSR among the MNEs, but also their extension to the small and medium-sized enterprises (SMEs).

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[51] Abbott and Snidal, 2009, p. 89.
[52] Steurer,2011, pp. 270-271.

The definition of CSR is widely debated and implies ethical and economic considerations. Indeed, while in past CSR was usually considered to be a concept linked to philanthropy and implying voluntary contributions of social goods to society by firms, a more modern approach tends to see CSR as a concept combining a strategic approach to stakeholder management and a holistic business strategy considering economic, social and environmental issues.

Such an approach to CSR is "based on the triple bottom-line principle, which adds social and environmental concerns to the profit maximization bottom line"[53]. In this perspective, firms act following the logics of profit maximization but they are also expected to contribute to social development, "maximizing synergies and minimizing trade-offs between economic, social and environmental stakeholder interests"[54].

An approach based on the triple bottom-line principle allows me to include into the field of CSR practices also financial instruments, such as socially responsible investments (SRIs) and social impact investments, through which private actors are supposed to voluntary contribute to society and environment and, at the same time, to realise profits.

Notwithstanding the wide diffusion of CSR, and SRI in Europe, especially during the last 10/15 years, and the role played by the European Union, international and intergovernmental organisations and civil society in promoting sustainable development, a considerable gap exists between Western and Central Eastern European (CEE) countries, concerning the diffusion of CSR practices.

Thus, my work is aimed at answering the following research question:

RQ: Why is there a gap between the number of CSR practices adopted in Western and Central Eastern European countries?

The CSR gap between the two European regions could be a direct consequence of the lack of CSR public policies in CEE countries.

Indeed, while Western European countries are generally considered by scholars and experts to be the international frontrunners concerning CSR public policies, a survey, conducted by Mazurkiewicz et al. in 2005, showed that CEE companies identified the lack of government involvement and of appropriate regulation as the two main key barriers to the adoption of CSR practices.

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[53] Martinuzzi *et al*, 2011, p.8.

[54] *Ibid.*

My research is especially influenced by concepts proper of the rational choice institutionalism and of the calculus approach. The calculus approach assumes that individuals have fixed sets of preferences and that they try to maximise the attainment of such preferences acting strategically. As a consequence, politics (and for extension governance) is seen as "a series of collective action dilemmas" that can be defined as "instances when individuals acting to maximise the attainment of their own preferences are likely to produce an outcome collectively sub-optimal"[55]. Indeed according to this theory, actors are motivated by "a logic of instrumentality" [56]while, on the other hand, institutions are seen as "formal and informal rules and associated monitoring and sanctioning mechanisms" that constrain actors' behaviour, thus increasing "the likelihood that corporations will behave in socially responsible ways"[57].

Indeed, by providing rules and mandatory legal frameworks, public authorities can contribute to creating a level playing field and limit private actors' propensity to act as free riders. Moreover, institutional actors can "entice actors to behave in certain ways through the provision of more positive incentives, rewards, and other mechanisms[58] and affect the choice-agenda and provide information that "reduce uncertainty about the corresponding behaviour of others" and lead to "potential better social outcomes"[59] . Thus, such an approach is particularly useful to study all the possible "carrots and sticks" that states can deploy in order to solve cooperation and coordination problems by discouraging actors to behave as free riders and by promoting and broadening the diffusion of socially responsible practices.

However, the calculus approach is characterised by some drawbacks. Firstly, to assume that firms act in a perfectly strategic way, is likely to be too simplistic. Secondly, rational choice institutionalism does not consider sociological and historical elements which are necessary to make a complete analysis of the causal links between the dependent and the independent variables. Therefore, I have integrated my theoretical framework with references to the "cultural approach" and to historical and sociological institutionalisms.

The cultural approach stresses that individuals tend to establish "routines or familiar patterns of behaviour to attain their purposes" and to interpret situations rather than purely calculate costs and benefits[60]. In other words, such an approach does not deny the rationality of human

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[55] Hall and Taylor, 1996, p. 12.
[56] Campbell, 2006, p.929.
[57] *Ivi.*, pp. 929, 931.
[58] *Ivi.*, p.932.
[59] Hall and Taylor, 1996, p.12.
[60] Hall and Taylor, 1996, pp.7.

action but, at the same time, it underlines the importance of the ossification of certain strategies into worldviews that can "shape even the self-images and basic preferences of the actors involved in them"[61]. This means that some practices, if institutionalised, could be no more evaluated through a mere "logic of "consequences" but also though a "logic of appropriateness".

Thus, my analysis is also aimed at explaining to which degree CSR practices are used strategically by firms and to which extent they are the product of institutionally structured values and perceptions.

The cultural approach is used both by historical and by sociological institutionalisms. The former focuses on historical path dependencies and critical junctures, and thus it is useful to explain why informal institutions, such as forms of business governance, arise, change or persist.

The latter focuses on the processes of internalisation of norms and values to which an individual is subject when socialised into an institution. Governments can pay a key role in such a process. Indeed, they can promote new corporate governance systems that over time become institutionalised influencing the self-images of participating firms which, as a consequence, progressively absorb values initially promoted by the governments. This dynamics can, in turn, favour the diffusion of new business models based not only on the logic of profit-maximisation but also on the logic of appropriateness.

Assuming that the lack of CSR national public policies aimed at solving collective action dilemmas in CEE countries, has contributed to creating a gap between the number of CSR practices adopted in Western and Central Eastern European countries, my hypotheses are the following:

H1: National public policies deploying financial instruments are able to influence the cost/benefit calculus, made by private actors, in favour of the implementation of CSR practices.

H2: National public policies deploying legal instruments, which contribute to creating a level playing field and limit private actors' propensity to act as free riders, increase the number of CSR practices implemented within the private business and financial sectors.

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[61] *Ivi.*, p. 9.

H3: National public policies deploying informational instruments, by affecting the choice-agenda and providing information which reduce uncertainty, contribute to solving coordination problems and increase the number of CSR practices implemented within the private business and financial sectors.

In my research I have focused on target group effectiveness, that is "the degree to which the target group responds to the policy and as intended by that policy"[62], and I tried to assess two elements in order to prove a causal connection between the independent variable (national public policies) and the dependent variable (diffusion of CSR practices): causal proximity and causal contribution.

Causal proximity corresponds to the validity and strength of the correlation between two variables, while causal contribution indicates to which extent the dependent variable is correlated to the independent one as opposed to other variables "in a multi-correlation relationship with an event"[63].

To assess causal proximity, I used data concerning all the EU Member States in order to measure the CSR gap and assess its features, and then I have analysed national CSR strategies adopted by single Western and CEE countries, in order to detect possible correlations between public policies and CSR practices.

To measure the CSR gap, I have taken different parameters into account, namely: CSR engagement (strategy, stakeholder engagement, governance, performance management, public disclosure and assurance), CSR penetration (CSR initiatives, environmental and social standards, 'best-in-class' rankings and ethical investment stock exchange indices), the number of non-financial reports published on the Global Reporting Initiative (GRI) list, and the size of national SRI management markets. To do that, I used indirect surveys (UNDP, Eurosif) the GRI database and an index elaborated by Skouloudis (2014)[64] to obtain quantitative and qualitative data.

To analyse CSR public policies, I assessed features of the CSR strategies and single public policies adopted by Western and CEE governments and their impact on the target group. In particular, I have selected four Western European countries (the UK; France; Spain; the Netherlands) and five CEE countries (Poland; Bulgaria; Estonia, Lithuania and Latvia, grouped together as Baltic States) on the basis of the ideal typology models trough which

[62] Gysen *et al.*, 2006, p.100.
[63] Gysen *et al.*, 2006, p. 107.
[64] Halkos and Skouloudis, 2016.

Albareda *et al.* (2007) and Letica (2008) grouped European countries. Concerning the temporal dimension, for each state I have decided to use a time series covering indicatively the period between 2001 (the year in which the European Commission published the Green Paper "Promoting a European Framework for Corporate Social Responsibility") and 2014, in order to analyse how CSR strategies and governmental approaches have been changing over time, also in relation to historical critical junctures.

In my analysis, I focused on regulatory frameworks concerning non-financial disclosure, on public policies aimed at increasing CSR awareness and on incentives to private actors to increase SRI, and in particular on two significant case studies, the Dutch Green Project Facility (GPF), or "Green Fund Scheme", and Social Impact Bonds (SIBs) in the UK. Indeed, I considered such instruments to be significant evidences that national public policies providing economic benefits are able to influence the cost/benefit calculus, made by private actors, in favour of the implementation of CSR practices.

The data collected are qualitative and based on the classification of CSR public policies proposed by Steurer *et al.* (2012). Considering the qualitative nature of my data, I used a document analysis based on academic and governmental sources, as well as on data provided by private and international organizations committed to assess private contribution to society and environment (OECD, Eurosif, UNDP, GRI, etc.).

According to Gysen *et al.*, causal contribution can be analysed through a set of methodologies referred to as the "hermeneutic methods"[65]. One of these methods is to "base the evaluation methodology on the causal claims embedded in a variety of grand policy theory"[66]. Therefore I have chosen to use a deductive hermeneutic method based on the institutional theory and, especially, on concepts proper of the rational choice institutionalism and of the calculus approach.

The results of my analysis show that at least two historical critical junctures, or critical moments of substantial institutional change, can be considered to have played a decisive role in shaping the institutional approaches to CSR, in CEE and Western European Countries. The first critical moment was characterised by two opposite tendencies in the two European macro-regions. Indeed, in 1990s, the emergence of civil society, in response to globalisation and the growing economic influence of MNEs, generated a significant increase in political pressure on business, especially in the most developed countries. This, in turn, led, in Western

[65] Gysen *et al.*, 2006, p.107.

[66] *Ibid.*

Europe, to an increased interest in sustainable development as well as in related concepts, such as corporate governance and CSR.
By contrast, during the same years, the fall of communism in the CEE countries opened the way for a substantial institutional change, characterised by the passage from state-based to market-based economies. One of the consequences was the complete dismantlement of the social system and a rapid deregulation of the market. Such an institutional change deeply affected the behaviour of private actors, causing a general abandon of ethical principles in favour of self-fulfilment aspirations and of survival concerns within a market dominated by the so-called "wild capitalism"
The second CSR-related critical juncture appeared to be in the first 2000s, with the official recognition of the relevance of CSR for the EU Member States expressed by the European Commission in the 2001 Green Paper, and with the first EU eastern enlargement in 2004. This critical juncture had relatively soft effects on Western European countries, which began to implant CSR policies in socio-economic systems which were already generally characterised by multilateralism, extensive welfare states and by public attention to societal concerns. By contrast, the change was obviously more revolutionary for CEE countries. Indeed, CEE governments, being embedded in a new institutional system, were significantly pressured to shift their attention from mere economic growth to sustainable development and to adopt CSR strategies. However, as a consequence of the wild capitalism years, the CEE institutional environment was significantly unfavourable for the development of CSR for at least two reasons. First, as the results of my analysis show, the business sector was generally not expected to cover any public role, thus social responsibility and social care was considered to be a primary role of governments. Second, in many CEE countries, there was an insufficient commitment to sustainable development by business as well as a lack of know-how in relation to the implementation of CSR practices, as a result of a lack of governance systems based on multi-stakeholders forums and groups, and CSR related business associations and networks. As a result, the ability of stakeholders to influence business in favour of the adoption of CSR strategies and the capacity of governments to disseminate information about CSR advantages and best practices were very low.
Such assumptions do not seem to falsify the assumption at the basis of my hypotheses, according to which CSR national public policies aimed at solving collective action dilemmas increase the number of CSR practices. Rather, institutional critical junctures, and the related outcomes, represent antecedent variables that must be taken into account and integrate the

calculus approach, in order to conduct a complete and comprehensive analysis of the causal correlation between CSR public policies and the diffusion of CSR practices.

As concerns national public policies, the results of my analysis show that CEE countries, under the pressure of international organisations and of the EU has begun to undertook CSR initiatives since the first 2000s.

In Bulgaria a CSR National Strategy, implying a variety of financial, legal and informational instruments, has been adopted. However, due to a lack of serious governmental commitment and of funds, Bulgarian initiatives seem to correspond to little more than rhetoric. As a consequence, Bulgarian government has neither provided economic benefits to influence the cost/benefit ratio of private actors nor has created a level playing field.

Baltic States have adopted few informational and promotional CSR public policies, which, in the absence of a clear political commitment, regulation and incentives, have proved to be poorly effective.

By contrast, Poland has been quite active in promoting CSR during the last decade, as demonstrated, for instance, by some initiatives in the Green Public Procurement (GPP) field and by the creation of a governmental CSR team in 2009. However, the Polish Government has neither systemically provided economic incentives for CSR nor has adopted regulation to guarantee a level playing field and to limit private actors' attitudes to free ride.

In addition, policies aimed at spreading values related to CSR and providing information has demonstrated to be ineffective, maybe due to the "legacy" left by the years of wild capitalism in terms of imbalances between the economic and the ethical spheres.

As a consequence, low levels of CSR penetration within the business sector, a low number of non-financial reports, and a SRI market being still at its infancy, in Poland, seem to demonstrate that CSR instruments aimed at raising awareness of CSR are, at least in the short time, insufficient without economic benefits and regulation, especially in countries where firms and other private actors are not used to being socialised into public roles.

Contrary to CEE countries, Western European countries have adopted CSR strategies and public policies which have proved to be effective at solving collective action dilemmas and stimulating the adoption of CSR practices in the private business and financial sectors.

Even if the topic is relatively recent in France, the French Government has adopted a comprehensive set of strategies and public policies involving the use of financial, informational and legal instruments.

The rapid increase of the number of CSR adopted in France is an evidence of the strong correlation between such instruments and the penetration of CSR within the private sector.

More specifically, the Grenelle 2 Act is an example of the effectiveness of mandatory CSR frameworks in fostering the diffusion of non-financial disclosure, even in the short term.
CSR strategies based on regulation and on the involvement of stakeholders have proved to be effective even in Spain, which, nowadays, is one of the international leading countries in social reporting.
CSR has a long tradition in the UK. Thus, it is quite natural that it is considered a global leader in CSR. However, the British approach based on informational instruments, economic incentives, and innovative finance seem to have led to a further significant increase of CSR practices, and especially non-financial disclosure and SRI, during the last 10/15 years.
Finally, the Dutch approach to CSR consists of a set of legal and financial instruments that has proved to be very effective at increasing non-financial disclosure and SRI.
In particular, the Dutch GPF, combining regulation and economic incentives, have successfully provided economic incentives for SRI and created a level playing field for financial intermediaries.
In conclusion, the results indicate that a strong positive correlation seems to exist between the adoption of national public policies deploying legal and financial instruments and the number of CSR practices implemented in the private business and financial sectors. Therefore, H1 and H2 seem to be confirmed.
By contrast, only a weak correlation seems to exist between the adoption of national public policies deploying informational instruments and the number of CSR practices.
Indeed, such policy instruments have proved to play a complementary role but they do not seem to be effective in the short term if they are not integrated with financial and/or legal instruments, especially in countries where private actors are not used to be socialised into systems of governance and have not internalised norms and values associated to a public and social role. Thus, H3 has been only partially confirmed.
More in general, in the light of the results arisen from my analysis and of the claims embedded in the institutional approach to CSR, according to which, individuals act strategically (or at least, quasi-strategically), in order to maximise their set of preferences, while institutions, affecting individual action, can contribute to solving collective action dilemmas and leading actors toward potentially better outcomes[67], we can conclude that there seems to be a strong causal correlation between the lack, in CEE countries, of CSR national

[67] Hall and Taylor, 1996.

public policies deploying legal and financial instruments, and the gap between the number of CSR practices adopted in Western and Central Eastern European countries.

My thesis could give two kinds of contributions:

First, since only a little literature has systematically developed an institutional analysis of CSR, my thesis could give some good starting points for further research on the impact of CSR public policies.

Second, only recently rational choice, historical and sociological institutionalisms have begun to draw closer to each other. To that extent, my theoretical framework, combining the three approaches, could be of some interest.

However, my thesis is also affected by two main limits. First, my research is limited in scope, since it focuses only on the impact of CSR public policies on business and financial sectors, but it does not consider the impacts on society generated by CSR, and thus, in turn, by CSR public policies.

Second, basing the assessment of the causal contribution between two variables on the claims embedded in a grand theory, that is, in this case, the rational choice institutionalism, is a method which is confronted with the lack of a generally accepted theory. Indeed, as no single theory can explain all causal links in policy contexts[68], I tried to supplement rational choice institutionalism with historical and sociological elements. However, some factors, such as the influence exerted by public opinion and stakeholders on firms, have been only partially taken into account.

[68] Gysen *et al.*, 2006.