

Southern Business Challenge

World Summit on Sustainable Development

Initiated by
Centre for Social Markets

The Balkans Regional Workshop Report

In association with
Association for Democratic Initiatives (ADI)



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DUTCH MINISTRY OF HOUSING
SPATIAL PLANNING AND THE ENVIRONMENT



BACKGROUND TO THE INITIATIVE

The Rio Earth Summit in 1992 was a watershed in the history of environmental diplomacy but not a turning point for unsustainable global production and consumption patterns. Will the World Summit for Sustainable Development (WSSD) in 2002, the ten-year review of the Earth Summit in South Africa, be any different? Or will the same voices, arguments and counter-arguments dominate? This will depend on how different parts of society mobilise to make this an event that matters. The future of the planet will depend upon it.

Business has a key role to play. Agenda 21, the Earth Summit's Global Action Plan, devotes an entire chapter to the role of business and industry. Southern business, in particular, has a crucial though much overlooked role to play. A powerful engine of development, progressive Southern business has been overwhelmingly absent in international policy discussions. It is the missing link. The force that can propel developing and developed country decision-makers, in partnership with civil society actors, to undertake reforms in the direction of sustainable development and poverty eradication.

It is now time to bring the dynamism of progressive Southern entrepreneurs to the international stage. To connect policy with practitioners in the cause of sustainable development and social justice. Progressive Southern businesses must now engage with the international policy debate on environment-development issues to challenge governments and break political and ideological deadlocks. The WSSD is an important opportunity to signal this change and breathe new life into global efforts for sustainable and equitable development.

What is the Southern Business Challenge?

The Southern Business Challenge (SBC) is a new international network bringing together progressive companies and entrepreneurs from developing countries to promote an action agenda for sustainability and social justice. The network has been initiated by the UK and India-based Centre for Social Markets. All SBC Members are committed to the four principles of sustainable development, social justice, personal ethics and corporate integrity.

What is the goal of the Southern Business Challenge?

The goal of the SBC is to transform debate at international policy fora and promote practical action for equitable and sustainable development. SBC Members are an important new voice and a major new constituency. They mark the emergence of a powerful economic force for progressive change in developing countries. Politicians and policymakers, everywhere, should take note: - this is a network with a mission.

BALKANS REGIONAL WORKSHOP - REPORT

Introductions

Albert Musliu, of the Association for Democratic Initiatives (ADI), introduced the Southern Business Challenge (SBC) and set its work in the context of the World Summit on Sustainable Development.



Malini Mehra, founder and director of the Centre for Social Markets, explained the work of the SBC in the context of human rights, including social and environmental rights. She explained that this meeting represented the first stage of a longer term relationship with businesses in Macedonia – the program of work will develop with input from all sides.

The main question addressed by this workshop was: *How can businesses succeed in transition economies, especially those in conflict, while meeting the social and ethnic challenges, as well as the economic ones?*

Regional economic context

People often target big business for protest, and in so doing forget the vital role of SMEs role in development.



This is true at the moment in Nepal, where a Maoist rebellion has led to hostility to business, at the very time when there is an economic crisis. Such businesses are recreating themselves in terms of their benefit to businesses.

There is not so much competition in the region although it is rising. Private business is still new and there is more co-operation than anything else.

There was a feeling that competition should be resisted, although there are clearly positive aspects of competition.

A united Balkans with no borders would be very good trade – it would see an open market of 55 million people. A free trade area would see a decrease in taxes and duties, however there would still be large logistical and administrative costs for domestic countries looking to expand.



However this would enable bigger companies to be present and domestic companies should prepare for this challenge. Partnerships with big businesses can be a great opportunity for small companies as well. It was pointed out that information about the proposed relaxing of cross border duties and associated regulations is not being shared well with businesses in Gostivar. This needs to be addressed.



World Trade Organisation agreements could prove to be very helpful in removing restrictions to doing business, such as permits and general bureaucracy. The WTO will also help SMEs to engage in regional trade networks. It is also helping to transform the economy from its centralist basis.

With regard to the hoped-for coming of big business, it was noted that

domestic businesses should work with human rights organisations and should demand corporate social responsibility from all businesses. Experience from around the world has shown that governments might find it hard to regulate foreign companies – it is therefore up to civil society to raise these issues. Consumer benefit must not be the only factor to be considered.



The family is very important and keeps the state from disintegrating. This vital aspect of the economic context should not be imperilled.

Major Discussion Point: Continued lack of investment

The institutions to support business projects do not exist – they must be developed. Nor is there enough investment. Money itself may not be the problem, rather it is a culture that is not used to investing hard-earned cash. Overseas workers do not tend to invest in their home countries, unlike the Chinese diaspora for example. There is a culture of concentrating expenditure on “house, car and weddings.” They do not seem to be aware that they have the means to invest. This culture must be changed to deal with “90 years of under-investment”.



The idea of pooling capital is also anathema to many, as is evidenced even within families by the succession problem, discussed below. It has to be made clear that people will have children who will be shareholders, so why not take on others. People seem to prefer to leave a business than share it.

It was suggested that the region would benefit from a Regional Investment Forum to encourage direct and productive investment. Overseas workers should be directly approached by domestic businesses to invest in their home-countries. 70% of foreign direct investment in China comes from the Chinese diaspora, and the Chinese government has deliberately targeted them. A problem in western Macedonia, however, is the national government’s reluctance to invest in the area, while also creating obstacles to those who do wish to invest. Central government is worried, unjustifiably, that economic independence in western Macedonia will lead to political independence



A bad government simply means there is more responsibility on the business community, as it can’t wait for the government to act. Ultimately even government cannot stop people with funds from investing if they wish to. Businesses tend to be very pragmatic and not interested in political ideology. The role of banks is crucial in playing a mediating role.

Main issues discussed

The meaning of “Transition”

- For some the idea of transition means FROM state-owned TO privately owned property.
- One major concern about this privatisation is that citizens are being deprived of common property, especially as many deals involve the selling of enterprises for a “symbolic amount”, sometimes to close colleagues of politicians.
- Sometimes property may even be damaged in order to lower its cost.

Social role of business

- Companies in this region have a very large impact on society, and are also very close to the community where they work.
- Many people think that in difficult economic situations businesses get more competitive and are less concerned about their social responsibilities. That is not the case in this region.
- The problem in some areas is that the aims of business have not been closely aligned with the broader social and environmental context.



How do the companies present contribute to society beyond employment?

- Sponsoring charity organisations
- Sponsoring sport
- Country benefits as profits stay in the country
- Businesses raise interest in education, as they can't develop without the necessary experts
- Minimise need for migration, which is a huge social good.

Relationship between business and local government

Rather than helping local businesses, local government is seen as a barrier to progress. For instance taxes, such as building taxes, are far too high, and there is not sufficient listening from the regulators. This has to be addressed by a concerted effort to engage. National government is not seen as interested in the West of Macedonia for ethnic reasons – for example, there is discrimination in the distribution of credit funds. Party favouritism must also be dealt with, e.g. people are sacked for no reason.



Natural Resources

There is a real danger that the fantastic natural resources of the area will be wasted. In 1941 there were 300,000 sheep in the region, now there are only 11,000. The local mountains are the most 'ecologically sound' in Europe and should be used to provide organic food to the Western market. The government should be investing in farming!

Succession issues

There is no well-developed system of inheriting businesses. Many companies in Gostivar close when the owner passed away. This major problem is not being discussed. There are people to continue the businesses but there is poor people management.

Local business should get organised

Although there is a national chamber of commerce, there is no local chamber. The Enterprise Support Agency, funded by the UK's Department for International Development and co-host of this workshop, is trying to represent the needs of local business at high levels. It needs a larger membership to be more effective. NGOs should work better with local businesses. Its next trade fair is in November.

International links

There have been previous attempts to organise the local business sector, but they have been limited to the locality, rather than linking with international contacts. In future meetings there should be more information available to business delegates about how to access international funds.



Next steps

- Put together formal proposal for DFID fund
- Put together recommendations for EU, G7 and others
- Explain the advantages of Southern Business Challenge membership, using ADI and ESA as local links
- Organise investment fora for social venture capital community
- Continue contacts and dialogue in structured setting
- Experiences from around the world regarding the threats and opportunities of the arrival of multinational companies should be shared. What is the proper investment climate required for foreign direct investment – research done on this should be presented to policy makers in Brussels.

Concluding remarks

“There is a real opportunity to make a difference.” *Malini Mehra*

The Balkans is unique. There is a great deal of work being done in developing countries, but this will be a new knowledge base. There is a genuine moral dimension to business here and it should be held up as an example to the rest of the world, as well as having much to learn from the experiences of other countries.

Delegates

TV2 station: Interested in comparing the roles of large and small companies

Aluplast: The only company in the Balkans with very developed technology makes doors and windows. Seven years old, its main market is Macedonia, and previously included Italy as well. It is hoping to expand its exports into Albania, Montenegro and Kosovo after it has fully established its business in Macedonia.



Trade in cosmetic products, pharmacy and dry cleaning. Also designing and supervising electric transmitters. The business is very diverse, reflecting the different skills of the family that owns it.

Commercial Bank: Business is a new thing in Macedonia and businesspeople lack experience. The Bank gives loans to citizens and businesses, and cooperates with other banks both nationally and internationally.

Universal: Deals in hotel supply and catering in countries like Albania, Kosovo and Macedonia.

Fatina: Produces sofas and sofabeds. Since it started up 10 years ago it has grown from five employees to 70. Fatina's products are sold in Macedonia, Croatia and Slovenia and is looking to the Western Europe for more trade opportunities. One thing holding back the company's expansion is the lack of skilled labourers, particularly an in-house designer, because of a lack of good and specialised schools.



Local government (Finance and Community Development): A new law is soon to come into effect which better finances municipalities. There is a clear need to directly support small and medium-sized businesses, including in Western Macedonia. This support will positively influence overall political development.

Zuli: This company produces kitchens, bedrooms, doors and windows. Established in 1990 it now exports to Kosovo, Albania and Macedonia.

M Musliu, Sr, Sociologist: Because of generally smaller communities, and a very different economic histories, there are different organisational structures in transitional countries. For example, workers are much more closely linked to their employers. Also, governments do not stimulate or support businesses in crises or help in activities such as exchanging goods.

UNDP Project Implementation Unit and Private Sector Development Group.

Quotes

“There is a need to import ‘European’ ideas to change the mentality of local businesses.”

“90% of politicians’ energy is spent on politics, only 10% on production.”

“80% of kids are thinking about leaving the country so they don’t study hard.”

“The most important thing is for us to think what we can do to improve the situation through serious analysis, rather than blaming the government for everything.”

For further information, please contact:

Information Officer

Centre for Social Markets

Email: info@csmworld.org

Website: www.csmworld.org/sbc

ABOUT THE CENTRE FOR SOCIAL MARKETS

The Centre for Social Markets (CSM) is an independent non-profit organization dedicated to making markets work for the triple bottom line - people, planet and profit. Through our offices in India and the United Kingdom, and an international network of partners and associates, CSM promotes responsible entrepreneurship, ethics and accountability worldwide. Founded in 2000, we are a values-based organisation committed to sustainable development and human rights.

CSM's work is divided into **five main work streams** focussing on business, investors, workers, consumers and governance respectively. Our primary **geographical focus** is on developing and transition countries, and our **key constituencies** are ethnic minority communities in industrialised countries, and domestic industry and stakeholders in developing countries.

Our primary activities include the following:

Education:

Conferences, workshops, bespoke seminars and training programmes;

Consultancy:

Consultancy services, incl. event facilitation and project development;

Programmes (local, regional & international):

- Southern Business Challenge
- Diaspora communities, ethnic minorities and corporate citizenship;

Policy:

Engagement in policy debate and advocacy at key fora;

Portal:

Focus on corporate responsibility in developing countries;

On-line Services:

Newsletter 'Social Markets', and regional e-list serves, e.g. CSR Asia;

Resource Centre:

Focus on corporate responsibility in developing countries;

Research & Publications:

Books, reports and discussion papers.

Email: info@csmworld.org
Website: <http://www.csmworld.org>

UK OFFICE:

38, Decima Street
London, SE1 4QQ
Tel: +44-20-7407 7625
Fax: +44-20-7407 7082

INDIA OFFICE:

39, Hindusthan Park
Kolkata – 700 029
Tel: +91-33-2465 5650 / 2465 5711/2/3
Fax: +91-33-2465 5650