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## Corporate Social Responsibility in Turkey: Overview and Perspectives

Naïg Cozannet, Agence Française de Développement (cozannetn@afd.fr)  
Helge Rieper, Frankfurt School of Finance & Management  
Yekbun Gurgoz, Agence Française de Développement

### Département de la Recherche

Agence Française de Développement 5 rue Roland Barthes  
Direction de la Stratégie 75012 Paris - France  
Département de la Recherche [www.afd.fr](http://www.afd.fr)



## Foreword

In 2005, Agence Française de Développement financed a study to better understand the sustainability challenges faced by Turkish businesses and to find out guidance for investment opportunities. The study was carried out by consultants from Bankakademie International – Frankfurt School of Finance & Management. The results were not published at first, but AFD identified a strong demand for information both to raise awareness and to help capacity building from the feedbacks received from a number of interviewees.

We then decided to update the data and get additional feedback, from our partners and international institutions as well as Turkish businesses, be it small scale or larger companies. Doing so the present report has been built on the previous one, and the analysis has focused on corporate social responsibility cases of best practices specific to Turkey. The report provides case studies of organisations and businesses that have taken concrete steps to integrate CSR in their strategy and practices. We hope that this report will serve to share expertise in implementing CSR strategies and pave the way for a fruitful dialogue and possible collaboration on the issue in Turkey.

### Disclaimer

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# Contents

	<b>Foreword</b>	<b>2</b>
	<b>Contents</b>	<b>3</b>
	<b>List of Acronyms</b>	<b>5</b>
	<b>Preface</b>	<b>6</b>
	<b>Executive Summary</b>	<b>7</b>
	<b>Özet</b>	<b>9</b>
<b>1.</b>	<b>Corporate social responsibility: A management tool for business</b>	<b>11</b>
1.1	A global rise	11
1.2	Local responses to CSR	12
<b>2.</b>	<b>The Turkish context: Strengths and Weaknesses</b>	<b>13</b>
2.1	The EU accession process and its impact on the legislative environment	13
2.2	Economic and social context	16
2.3	Cultural context	18
2.4	Natural resources and sustainable development	20
2.5	Key findings	21
<b>3.</b>	<b>Current state of CSR in Turkey: Key Initiatives and Attitudes</b>	<b>23</b>
<b>3.1</b>	<b>Private sector</b>	<b>23</b>
3.1.1	Individual companies	23
3.1.2	Private sector associations	27
3.1.3	Financial sector	29
<b>3.2</b>	<b>Public administration</b>	<b>30</b>
<b>3.3</b>	<b>International organisations</b>	<b>31</b>
3.3.1	European Commission	31
3.3.2	United Nations Development Programme	33
3.3.3	International Finance Corporation	35
3.3.4	Bilateral donors working on CSR	35
<b>3.4</b>	<b>Civil society organisations</b>	<b>38</b>
<b>4.</b>	<b>Moving forward: promoting CSR in Turkey</b>	<b>40</b>
<b>4.1</b>	<b>CSR drivers in Turkey</b>	<b>40</b>
4.1.1	Internal Drivers	40
4.1.2	External Drivers	40

<b>4.2</b>	<b>Key Constraints</b>	<b>41</b>
4.2.1	Internal constraints	41
4.2.2	External constraints	41
<b>4.3</b>	<b>Steps towards progress</b>	<b>42</b>
4.3.1	Public authorities and organisations could play an active role in the promotion of CSR	42
s4.3.2	International organisations should engage in better coordination and collaboration	43
<hr/>		
	<b>References</b>	<b>45</b>
<hr/>		
	<b>Série Documents de travail / Working Papers Series</b>	<b>47</b>

## List of Acronyms

ABIGEM	EU-Turkey Business Centres
AFD	Agence Française de Développement
AVE	Foreign Trade Association of the German Retail Trade
BDCs	European-Turkish Development Centres
CMB/CMBT	Capital Markets Board of Turkey
COGAT	Corporate Governance Association of Turkey
CSR	Corporate Social Responsibility
ECHR	European Court of Human Rights
EEC	European Economic Community
EFQM	European Foundation for Quality Management
EMAS	Eco-Management and Audit Scheme
EU	European Union
FDI	Foreign Direct Investment
GC	Global Compact
GDP	Gross Domestic Product
GTZ	German Agency for Technical Cooperation
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ITKIB	Istanbul Textile and Apparel Exporters' Association
MDG	Millennium Development Goals
MLSS	Ministry of Labour and Social Security
MUSIAD	Independent Industrialists and Businessmen's Association
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
REC	Regional Environmental Centre for Central and Eastern Europe
SME	Small and Medium-sized Enterprise
TBCSD	Turkish Business Council for Sustainable Development
TEDMER	Turkish Ethical Value Centre
TISK	Turkish Confederation of Employer Associations
TOBB	Turkish Union of Chambers and Commodities Exchange
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNICE	Union des Industries de la Communauté Européenne (since January 2007 Business Europe)
PR	Public Relations
WIB	Work Inspection Board
WING	Worldwide Initiatives for Grantmaker Support
WWF	World Wildlife Fund

## Preface

Following an economic crisis in 2001, Turkey recovered quickly making impressive and rapid progress towards macroeconomic stabilisation and institutional reform. Not surprisingly, great contrasts exist within Turkey and a number of key environmental and social welfare issues are looming.

High population growth, rising incomes and energy consumption, as well as rapid urbanisation and expanding tourism, have led to tension over the country's vulnerable ecosystems. As in many transitional economies, a rural-urban shift is also taking place with inequality in terms of economic and social development rising between the east and west. Mostly rural, eastern regions suffer from a lack of development and employment opportunities, with high illiteracy among young people and particularly young women. In contrast, in western regions where nearly two-thirds of the population and most of the country's businesses are concentrated, the government is struggling to offer a growing working population structured professional education and employment. This challenge explains part of the difficulties that the authorities have encountered in integrating the informal economy and reducing unregistered labour, which continues to represent an estimated 50% of total employment.

In this context, one of the challenges that Turkey currently may face is to sustain its positive development trend over

the medium and long term. This implies both securing the economic and institutional progress that has been achieved, but also taking full responsibility for environmental and social pressures associated with an emerging economy. This latter challenge requires that Turkey integrate sustainable development (SD) principles into the definition and implementation of sector policies, as recognised by the National Programme for the Adoption of the Acquis Communautaire (2003).

The report is the outcome of four months of collaboration between AFD and the Frankfurt School of Finance and Management to examine existing CSR stakeholder initiatives and practices in Turkey. Between 2005 and 2006, a literature review, field visits and face-to-face interviews with key public and private stakeholders were conducted. The result was a detailed strategic study<sup>1</sup> of which the present report compiles the key findings and conclusions.

This report provides readers with a recent picture of the state of CSR awareness and practices among public and private stakeholders in Turkey. Based on the analysis of specific drivers and constraints, it suggests practical steps that could be taken by public and private organisations to support the further development of CSR in Turkey.

Régis Marodon  
AFD Director, Turkey

1 Rieper, H. and Kreiss, C. (2006), "To study current CSR practices, initiatives in Turkey and the potential role of Agence Française de Développement (AFD) for their improvement and promotion (unpublished document)".

## Executive Summary

### A Management Tool for Business

Corporate Social Responsibility (CSR) as defined by the EU is an evolving concept, “whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Simply put, it is the business community’s response to growing stakeholder awareness, among both customers and shareholders about the potentially negative impact of corporate decisions on the environment and society. Integrated into the core business strategy, CSR minimises negative effects and opens up opportunities for building trust, and an efficient, fair and sustainable way of doing business.

While global definitions of CSR tend to focus on universal values such as fundamental human and worker rights, they also need to take into account specific cultural, social as well as regulatory contexts. For the authors, promoting CSR practices is more about promoting continuous improvement rather than unilateral enforcement of standards and laws (although these normative frameworks are influential and necessary as shared and transparent benchmarks).

### Context: Strengths and weaknesses

The European Union offers an attractive and growing market that is increasingly oriented towards products and services that adhere to CSR principles. To Turkey it represents one of the most promising partners in the path to a sustainable future. However, in order to construct this partnership the government and public authorities, private companies and financial institutions in the country need to fully integrate sustainability principles into their core policies and prac-

tices. The context analysis carried out in the present study shows that while progress is being made, Turkey still faces significant challenges in the field of good governance, economic viability, social and environmental welfare. Moreover, while consumers and civil society organisations are important drivers of CSR practices in Western societies, in Turkey these groups still lack the knowledge and capacities to exert constructive pressure on the productive sector. By developing public-private cooperation revolving around CSR concepts, progress could be made towards meeting these development challenges.

In this context, the EU accession process, combined with the increasing exposure of Turkey’s productive and financial sectors to international markets and foreign investment should be seen as opportunities for developing more responsible business practices and finding innovative solutions to some of the most urgent social and environmental problems.

This dynamic can be built on two specific features of the Turkish business community: a strong culture of corporate giving as well as a long tradition for quality. These could constitute the basis on which the core principles of CSR in Turkey could be developed.

### Current State of CSR in Turkey: Key initiatives and attitudes

While being a potential tool to respond to some of the country’s challenges, CSR is neither well known as a concept nor as a specific practice in Turkey. Existing “CSR-like” practices generally limit their scope to corporate philanthropy or sponsorship of education, arts or sports. At the same time, companies are not necessarily

aware of the social and environmental impacts of their business. Another bias in the current implementation of CSR-like activities is that most activities are sectional, focusing on social, governance or environmental issues, rather than adopting the systemic and transversal nature of CSR.

However, there have been some positive signals that indicate a slow but steady rise in awareness among civil society and the business community and willingness in these circles to improve sustainability performances. Those companies and organisations that are now committed to CSR still face some constraints however, such as lack of professional expertise and trained workers, as well as limited access to banking credit. These are particularly severe among SMEs, which account for 99.9% of the Turkish private sector.

While many international organisations are active on CSR-related issues in Turkey, there is a lack of harmonisation in terms of vocabulary and definitions used to promote the concept. Moreover, amongst themselves they have failed to coordinate and leverage the clear complementarities in their respective technical and financial resources.

### **Moving Forward: Promoting CSR in Turkey**

Progress in increasing CSR awareness and practices among the Turkish business community will come from an active partnership between public authorities, the private sector and civil society. All will benefit from opportunities offered by the large export markets of Europe and the US, as well as from the opportunity to import “green” technology. This will take place more rapidly if international organisations demonstrate the capability to coordinate their efforts and exploit their international networks to support local initiatives.

Efforts are particularly needed to improve the access of companies to both information and training services, and to provide them with technical assistance and financial services. Attention must also be given to the specific needs of SMEs, particularly those operating in the poorest regions of Turkey, namely east and southeast Anatolia. Among others, efforts are needed to support Turkey’s public strategy for regional integration.

Again, the EU accession process will provide a continuous and positive driver to achieve these aims over the long term.

## Özet

### Kurumsal Sosyal Sorumluluk : Şirketler için bir işletme aracı modeli

Avrupa Birliği (AB) tarafından "Şirketlerin gönüllü olarak, toplumsal ve çevresel konuları operasyonlarına ve paydaşlarıyla olan etkileşimlerine entegre ettiği kavram" olarak tanımlanan Kurumsal Sosyal Sorumluluk (KSS), gelişen bir kavramdır. Temel olarak bu kavram, başta müşteriler ve hissedarlar olmak üzere kurumsal paydaşların, şirket faaliyetlerinin çevre ile toplum üzerinde yarattığı olumsuz etkiler hakkında gün geçtikçe artan bilinçliliğine karşı, iş dünyasının verdiği bir cevaptır. Doğrudan şirket stratejisine dahil edildiğinde KSS, bu tür olumsuz etkileri azaltır ve ticari faaliyetlerin, bir güven ortamında, etkili, adil ve sürdürülebilir olmasını sağlar.

Temel insan ve çalışan hakları gibi evrensel değerlere odaklanan bir KSS tanımı, bir takım kültürel, sosyal ve yasal düzenlemeleri de dikkate almalıdır. Yazarların görüşüne göre, KSS uygulamalarını teşvik etmek, sadece standart ve yasaları uygulamaktan öte - ki bunlar şirket paydaşları için saydam birer referans olmaları açısından önemli normatif çerçevelerdir - devamı sağlanabilecek bir gelişmeyi desteklemek olmalıdır.

### Türkiye'nin KSS kavramı ile ilgili konularda güçlü ve zayıf yönleri

Avrupa Birliği, gittikçe KSS kavramına uygun ürün ve hizmetlerine yönelen, cazip ve büyüyen bir pazardır. Ayrıca AB, Türkiye'nin, sürdürülebilir bir gelecek elde etmesi yolunda, en önemli partnerlerinden birini teşkil etmektedir. Ancak, bu işbirliğinin kurulması, Türk Hükümet ve makamlarının olduğu kadar özel sektör ve mali kuruluşların da, sürdürülebilirlik ilkelerini, uygulama ve politikalarına tamıyla geçirmelerini gerektirmektedir. Bu araştırmada yapılan durum

analizi, Türkiye'nin doğru yolda ilerlediğini göstermesine rağmen, ülkenin halen, kurumsal yönetim, ekonomik devamlılık, toplum ve çevre sağlığı gibi zor meselerle karşı karşıya geldiğinin de altını çiziyor. Aynı zamanda, Batı toplumlarında, tüketici ve sivil toplum örgütleri, KSS faaliyetlerinin hayata geçirilmesinde önemli birer araçken, Türkiye'de, bu kuruluşlar halen, yeterli bilgi donanımı ve üretim sektörü üzerinde yapıcı bir baskı kurabilecek kapasiteye sahip değiller. Bu tür sorunlara verilebilecek cevaplardan biri, KSS kavramının da teşvik ettiği gibi, özel sektör ile kamu sektörünün arasındaki işbirliğinin geliştirilmesi olabilir.

Bu durumda, şirketlerin daha bilinçli uygulamalar geliştirebilmeleri, ayrıca çevresel ve sosyal konularda yakıcı sorunlarla baş etmek amacıyla yenilikçi çözümler üretilebilmeleri için, Türkiye'nin AB'ye üyelik sürecinin yanı sıra, Türk üretim ve finans sektörünün giderek uluslararası pazara ve yabancı sermayeye açılması da önemli bir fırsat olarak değerlendirilebilir.

Böyle bir dinamik, güçlü bir kurumsal hayırseverlik kültürü ile uzun bir geçmişe dayanan kalite geleneği üzerine inşa edilebilir. Türk şirketlerine özgü bu iki özellik, KSS kavramının geliştirilmesi için gereken baş ilkelerin temelini oluşturabilir.

### KSS'nin Türkiye'deki güncel durumu

KSS'nin, Türkiye'nin karşılaştığı birtakım soruna cevap getirme potansiyeline sahip olmasına rağmen, Türkiye'de, ne KSS kavramı, ne de bu kavramın uygulamaları iyi tanınmaktadır. Şirketler, genelde hayırseverlik veya eğitim, sanat ve spor dallarındaki sponsor faaliyetleriyle sınırlı kalan "KSS benzeri" faaliyetleri destekleyerek, aslında kendi ticari faaliyetlerinin toplum ve çevre üzerinde yarattığı etkilerle fazla ilişkisi olmayan etkinliklerle

ri desteklemektedir. Şirketlerin “KSS benzeri” faaliyetleri hayata geçirirken sergiledikleri bir başka eğilim ise, bu faaliyetlerin birçoğunu sosyal, kurumsal yönetim ya da çevre gibi belli bir konuya odaklayarak, KSS kavramının kendine özgü sistemli ve kapsamlı yapısını gözden kaçırmaktır.

Ancak, sivil toplum ve iş dünyasının KSS konusundaki performansını yükseltmek için istek ve bilinçliliğinin yavaş fakat sağlam adımlarla arttığına dair bazı olumlu işaretler bulunuyor. Bu konuya yoğunlaşmış şirket ve kuruluşların çektiği başlıca sıkıntılara örnek olarak, profesyonel ve destekleyici uzmanlık ile eğitilmiş çalışan eksikliği ve gerekli banka kredilerine erişim zorluğu verilebilir. Bu durum, özellikle, Türk özel sektörünün %99,9'unu oluşturan KOBİ'ler için geçerlidir.

Türkiye’de faaliyet gösteren uluslararası kuruluşların birçoğu KSS ile ilgili konularda etkinken, bu kuruluşlar, KSS kavramının teşviki için kullandıkları kelime dağarcığı ve tanımlar arasında bir uyum sağlamakta yetersiz kalmaktadır. Ayrıca, bu kuruluşlar, kendi aralarında koordine olmakta ve aynı zamanda birbirlerini, teknik, finansal kaynak ve araçlar bakımından tamamlamakta da başarı göstermemektedirler.

### **Türkiye’de KSS kavramının gelişmesi için atılan somut adımlar**

Türk iş dünyasında, KSS anlamında, bilinç ve uygulamalar konusunda bir gelişme sağlanması, ancak kamu makamları, özel sektör ve sivil toplum arasında, etkin bir ortaklığın kurulmasıyla mümkün olabilir. Bu gelişme, yalnızca yüksek beklentileri olan Avrupa ve Amerika ihracat pazarlarının değil, aynı zamanda “yeşil teknoloji” ithalatının da sunduğu fırsatlardan yararlanacaktır. Ayrıca, uluslararası kuruluşların, çabalarını koordine etmede ve yerel inisiyatiflerin desteklenmesi amacıyla uluslararası ağlarını kullanmada gereken kapasiteyi gösterebilmeleri durumunda, sözkonusu gelişme daha da hızlı bir şekilde meydana gelecektir.

Şirketlere yalnızca bilgi ve eğitim hizmetlerinin erişiminde kolaylık sağlamakla kalmamalı, ayrıca onlara teknik destek ile mali hizmetler vermek için de çaba sarf edilmelidir.

Başta Doğu ve Güneydoğu Anadolu gibi Türkiye’nin en fakir bölgelerinde faaliyet gösteren KOBİ’ler olmak üzere, işletmelerin özel ihtiyaçları dikkate alınmalıdır. Ayrıca, Türkiye’nin bölgesel entegrasyonu için ülkenin mevcut kamu stratejisi de desteklenmelidir.

Türkiye’nin AB’ye giriş süreci, kuşkusuz, bu uzun soluklu proje için devamlılığı sağlanabilir olumlu bir araç olacaktır.

# 1. Corporate social responsibility: A management tool for business

Corporate Social Responsibility (CSR) is a term that lacks a standard definition. In business literature, the concept is often considered as a synonym for corporate sustainability, corporate accountability, corporate responsibility, corporate citizenship, or corporate stewardship, etc.

While diverse, existing definitions share some common features, generally referring to the direct contribution of organisations – businesses, local authorities, administrations, associations – to the pursuit of sustainable development, according to the EU definition, CSR is a concept *“whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”* (European Commission, 2001). It is increasingly accepted that CSR is a paradigm that should be integrated into each organisation’s core management strategy, and that it extends beyond ad-hoc initiatives of charity or philanthropy.

## 1.1 A global rise

First mentioned by American experts (see Bowen, 1953) of business management during the 1960s, over the past few years CSR has become a mainstream concern, for big corporations, small and medium-sized businesses, public authorities and other organisations at international level. This concern is reflected in the rise of corporate responsibility reporting as one indicator of how companies are seeking to understand, manage and compete on the basis of their sustainability performances; leading the way, 90 out of the top 100 European companies now report on social and environmental performance, while in the USA, this figure is 59 of the top 100 and in the rest of

The CSR agenda is thus about the way in which businesses are managed and run on a day-to-day basis, and about practices and behaviour that maximise their contribution to sustainable development while minimising their negative impact. It means, among other things, that responsible companies:

- Treat customers, business partners and competitors with fairness and honesty;
- Care about health, safety and general well-being of employees (including within their chain of custody) and their consumers;
- Motivate their workforce through training and development opportunities;
- Act as “good citizens” in the communities in which they operate;
- Respect natural resources and the environment and
- Work against corruption in all its forms, and integrate the principles of good governance, including transparency.

the world, 61 of the top 100 companies submit CSR reports (Context, 2006).

This rise of CSR as a concept is the natural reaction of the business community to a growing awareness among their various stakeholders (starting with clients) about the importance and impact of corporate decisions upon the environment and society at large. The growth of this concern is reflected in media campaigns particularly in those initiated in the late 1980s by consumers and conservation associations against individual companies. Since then, the movement has gained momentum and become generalised to

the point that the credibility of CSR policies and practices is considered one of the criteria on which the quality of management (and consequently market value) is assessed by the financial and shareholder community. Today, nearly one out of every ten dollars under professional management in the United States is involved in socially responsible investing (SRI) (Social Investment Forum, 2006). This development is not restricted to the largest SRI markets such as Canada, Europe, Australia and Japan, but it is also present in the more sophisticated emerging markets of Latin America, South Africa and the Asia Pacific region. Moreover, companies' commitment to offer products and

services that respect social and environmental criteria is a growing element of consumer choice.

It is now regularly<sup>2</sup> acknowledged by the financial analysts community that the adoption of CSR practices can drive market value and investment decisions, as these practices create concrete competitive advantages and new market opportunities, particularly in the food, forestry, building, mining or car industries, and more recently in service-based sectors such as banking or tourism. That said, experts still call for more research in this area (Allouche and Laroche, 2005).

## 1.2 Local responses to CSR

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Most definitions of CSR limit its scope to voluntary practices that extend beyond minimum legal requirements and obligations and that work towards objectives set by international treaties and conventions (e.g. the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, or the United Nations Convention Against Corruption). While the question of whether a formal regulatory framework should be established for CSR is still under debate<sup>3</sup>, this debate is beyond the scope of this paper.

It is clear however, that any organisation (including AFD) engaged in the promotion of CSR in developing and emerging economies will be confronted with a diversity of national regulations and cultural values regarding human rights, labour, social dialogue, business ethics as well as protection of the environment and natural resources. This is demonstrated by the fact that while in the US and Europe certain values are considered universal (and therefore solid foundations for a definition of CSR), these remain subject to debate or interpretation in other regions of the world.

As a result of this diversity, the authors believe that taking into account specific cultural, social and regulatory contexts in the promotion of CSR practices is one of the means through which one can facilitate the progress and integration of values such as human and labour rights or the natu-

ral capital value of human development into local and national laws and regulatory frameworks will be furthered.

In fact, the review of CSR reports show that the explicit support of companies to CSR practices refers more to their commitment towards a continuous process of improvement rather than to the promotion of formal norms or standards. It is in the pursuit of progress however, that these norms and standards play a crucial role in giving models or benchmarks that can provide a measure for compliance.

<sup>2</sup> See for example CSR Europe (2003) Investing in responsible business: survey of European fund managers, financial analysts and investor relations officers.

<sup>3</sup> As an example of such debates, see EU European Communities (2003) EU Multi-stakeholder forum on CSR.

## 2. The Turkish context: Strengths and Weaknesses

With its 492 million potential consumers and a market worth EUR 8.5 trillion (Eurostat, 2006), the European Union represents an important customer base for Turkey (although the US and Asia are also offering new opportunities). As highlighted in Section 1 above, this market is one of the most demanding both with regard to the CSR practices of its suppliers, and in terms of product compliance with environmental and social norms. It follows then that if Turkish companies want to access the EU market, they

need to move towards adopting these norms.

While the concept of CSR is still rather new in the country, interviews and research conducted during the present study indicated that its importance has been increasing for the past decade and it is now clambering onto the agenda of a growing number of public and private organisations. It is commonly acknowledged in the business community that the rise of CSR is an element that will contribute to Turkey's sustainable future.

### 2.1 The EU accession process and its impact on the legislative environment

After a long phase of preliminary discussions, the European Council agreed in December 2002 to formally open accession negotiations with Turkey and in May 2003 the framework and the requirements for initiating the accession partnership with Turkey were set out.

The fulfilment of these requirements resulted in the opening of accession negotiations on 3 October 2005. This date marked the beginning of a new phase of EU-Turkey relations. Through this new phase, Turkey gained access to greater financial support (reaching €500 million in 2006) in particular through two European programmes specifically designed to provide assistance to countries during the pre-accession phase. The first of these aims at, "reinforcing and supporting the reform process in Turkey" and the second at, "strengthening the political and cultural dialogue" within the country.

The accession process sets political and economic requirements that must be met. It also requires Turkey to integrate sustainable development (SD) principles into sector policies, as expressed by the National Programme for the

Adoption of the *Acquis Communautaire* (2003). The *Acquis Communautaire* – or the whole set of EU legislation and policies – is divided into 35 chapters<sup>4</sup>. Along with the political and economic criteria, these structure the accession negotiations, and many of them are directly related to the values and principles of the four pillars of sustainable development (viable economic growth, protection of the environment and natural resources, socially beneficial development and good governance). More specifically, the political chapters draw on the Copenhagen criteria that require institutional stability guaranteeing democracy (including transparency, justice, civil and political rights and security), the rule of law, human rights and respect for and protection of fragile populations (including women, the disabled, children) and minorities. It also includes subjects related to the field of good governance and social protection such as social dialogue and cohesion, freedom of expression or

<sup>4</sup> This is structured in three parts: political, economic and the last one often referred to as the "*Acquis Communautaire*".

association. The economic criteria touch on the institutional (including financial and fiscal), political and legislative reforms needed to ensure a market economy that functions properly and offers the population sufficient job opportunities. Parts of the Acquis, such as the competition policy (chapter 8), social policy and employment (chapter 19), education and culture (chapter 26), environment (chapter 27), consumer and health protection (chapter 28) and combating corruption (a basic criteria for EU membership) are of equal relevance for the discussion of CSR in Turkey.

Collectively, the accession framework criteria impose significant change at the political, institutional, economical and social levels of the country. If fully implemented, they will have a direct and positive impact on the regulatory environment in which businesses and other organisations operate, where they will, without doubt, foster CSR practices.

The following table provides a snapshot of the developments and remaining weaknesses of the Turkish regulatory framework with regard to CSR related issues:

### Box 1: The legislative environment for CSR in Turkey

#### CORPORATE GOVERNANCE

The EU progress report for Turkey 2006 states that corporate governance principles have not been fully implemented (chapter 4.20, p. 54), particularly in enterprise and industrial policy principles.

##### Specifically:

Adoption of Corporate Management Principles (Corporate Governance Guidelines) by the Capital Markets Board of Turkey (CMBT) in July 2003 (application on a voluntary basis for companies listed on the Istanbul Stock Exchange.) The CMBT now recognises stakeholders as legitimate parties in business governance. However, it neglects some stakeholders (e.g. local communities) and even the concept of stakeholders itself is not always understood by companies

The Capital Markets Law is to be adopted by the Turkish Grand National Assembly in 2007

The Banking Law No. 5411 (November 2005) includes provisions regarding corporate governance

#### TRANSPARENCY

The Work Inspection Board, operating under the Ministry of Labour and Social Security, plans to establish a label for socially responsible companies

Considering the protection of consumers (Law No. 4077), some progress has been made on a market surveillance system (EU progress report)

##### Public procurement:

Public Procurement Law No. 4734 (January 2002) states that companies with tax debt or social premium debts cannot participate in public procurement tenders

Generally, the EU progress report for Turkey 2006 notes several discrepancies between the public procurement provisions in the Acquis and those under Turkish law (p. 36), and no progress has been made towards reconciling them

##### Competition:

While the Law on Protection of Competition and the Regulation on Mergers and Acquisition reflects the main principles of Community rules, there is no legislative framework and administrative structure to ensure transparency and implement community state aid rules

**Financial sector:**

The new Banking Law introduced risk-based supervision, however the supervisory capacity is still at an early stage

According to the FATF (Financial Task Force) report, dated 23 February 2007, entitled "Summary of the Third Mutual Evaluation Report Anti-Money Laundering and Combating the Financing of Terrorism", the Government of Turkey has recently passed a number of key laws regarding money laundering and financing of terrorism. A new money laundering offence was introduced in June 2005, and the stand-alone terrorist financing offence was introduced in July 2006. The confiscation framework in Turkey appears to meet most of the standards, but has not yet produced substantial results. The new AML law (Law 5549 of October 2006) provides, among other things, for a new and more comprehensive system for disclosures of cross-border movements of cash and monetary instruments to be implemented in the near future

Rating of compliance with FATF recommendations: Non-Compliant with 11 recommendations out of 49

Among the non-compliance issues, Recommendation 5 regarding Customer Diligence: customer verification of natural persons only partially complies with international standards.

**Accounting and Auditing:**

The Turkish Accounting Standards Board has adopted almost all IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards), however they are not legally binding, not often applied by companies and a general purpose accounting framework is not available

The CMB issued the Communiqué on Independent Auditing Standards in the capital market, however a general purpose framework is still unavailable

The implementation of Basel II principles has started

**ENVIRONMENT**

Overall, the new Law on Environment was adopted in May 2006 introducing some elements of public participation

Regarding the agricultural sector some progress on organic farming was reported, but in the field of quality policy, there has been little discernable development

In terms of fisheries, there are neither appropriate resources and fleet management nor accompanied inspection and control mechanisms, indicating legislative gaps vis-à-vis the Acquis

Some progress in terms of the energy market was reported (e.g. renewable energy sources), but challenges still exist. These include electricity loss and no progress on energy efficiency in general, as there is no framework law that would promote it. Further, despite a good degree of alignment regarding nuclear safety and radiation protection, no new implementation regulation has been enacted, and facility upgrades, radioactive waste management and storage are all needed.

Turkey has not ratified the Kyoto Protocol, has not transposed the Emission Trading Directive and no progress can be reported regarding the transposition and implementation of environment liability/reporting directives and directives regarding public access to environment information, despite the Law on Environment (May 2006). The legislation on Environment Impact Assessment still excludes trans-boundary consultation requirements

Some progress in nature protection can be reported, but implementation and enforcement remain low

The air quality legislation showed progress (e.g. quality of petrol and diesel fuels and reduction of sulphur content of certain liquid fuels), despite a lack of alignment with the Air Framework Directive

Regarding waste management, the alignment with the Waste Framework Directive and the Hazardous Waste Directive are good developments but leave room for further alignments (e.g. landfill and waste incineration)

Despite some progress regarding water quality, challenges remain especially in terms of nitrates, ground water and drinking water due to unclear division of responsibilities/weak institutional capacities

In terms of industrial pollution control and risk management no progress can be reported; alignment, implementation, enforcement and financial resources are needed

The transposition and implementation regarding the chemical sector are underdeveloped

### SOCIAL ISSUES

Despite a certain degree of alignment in employment and social policy, not all International Labour Standards are focused (e.g. child labour). A national policy in the field of health and safety at work has been set, but still faces shortcomings (e.g. lack of awareness, training).

The Trade Union and Collective Bargaining, Strike and Lockout Law is still not in line with ILO and EU standards (a weak social dialogue)

In line with the Law on People with Disabilities, an action plan for the employment of disabled people has been developed

Despite the transposition of the EC directives concerning discrimination on grounds of racial or ethnic origin, religion or belief, disability, age and sexual orientation to some degree, an equality body still needs to be established, leaving issues regarding equal opportunities still open (e.g. parental leave, equal pay, equal access to employment)

May/June 2006 the Legislation on Social Security Reform had been adopted and provides a certain degree of social protection, however significant challenges remain, especially with regard to minorities

In terms of consumers, product safety standards are still without a legal basis, while some progress regarding public health can be reported

## 2.2 Economic and social context

With economic growth of about 7.5% in 2006, Turkey is one of the most rapidly growing economies in the OECD. An important shift is also taking place from reliance on agriculture and heavy industry to a more diversified landscape with a growing services sector (accounting for about 49.5% of employment in March 2007). This shift is supported by

recent and substantial reforms in the banking/financial, energy and telecommunication sectors, including the privatisation of large state-owned institutions. Decreasing inflation and interest rates as well as a stabilising currency have contributed to strengthening the confidence of investors, businesses and consumers.

Table 1. Economic indicators

GDP per capita	US\$ 5.078 (2005), US\$ 4.955 (2006)
Economic (GDP) growth	-7.5% (2001), 7.9% (2002), 5.8 (2003), 8.9% (2004), 7.4% (2005), 7.5% (2006)
Inflation rate	9.5% (2006 December)
Unemployment rate	9.1% (2006 August)
Currency	New Lira, introduced 1 January 2005. 1 New Lira = 1,000,000 Turkish Lira. 1 New Lira = €0.53 (September 2006)
Government budget balance	1.2% of GDP (2005)
Current account balance	-6.5% of GDP (2006)
Foreign debt	67.3% of GDP (2006)
Trade with EU (2005)	Exports to the EU: 52.4% of the total Imports from the EU: 42.2% of the total

Source: EUROSTAT, Central Bank of Turkey.

The banking sector in particular has witnessed significant changes with several planned privatisations (25% of Halkbank's shares were brought to the market in an IPO in early May 2007) and an increasing number of foreign banks entering the capital of local financial institutions. Combined with efforts to improve governance of the sector as well as its risk management capacities, this trend has resulted in growing profitability and a rise in direct lending to the private sector. While large corporations are the primary beneficiaries of lending services, banks are beginning to expand their share of the almost untouched SME market. With the support of governmental incentives and international programmes, they are investing in less developed regions as well as in small businesses and the technology sector<sup>5</sup>.

Beyond national considerations, the health of Turkey's economy is increasingly determined by external factors, including external demand and foreign investment. Export of products and services, which has increased at a rate of almost 25% per year for the last five years, now grows faster than imports (Eurostat, 2007). Exports are mostly composed of industrial goods, and the leading sectors are textiles, automotive and transport, as well as agriculture and food industries. The EU is by far the most important trading partner for both imports and exports, while Turkey is the seventh largest supplier of imports to the EU and the sixth largest recipient of EU goods. According to the public treasury, Turkey succeeded in attracting US\$20.2 billion in foreign direct investment (FDI) in 2006 (+105.7% over 2005), ranking Turkey the fifth most attractive emerging economy for FDI. The market potential in general, privatisation processes (especially in the financial sector), and convenient location between Western Europe, Asia and the Middle East, as well as low labour costs (about 25% of the accepted labour costs of Western Europe) all contribute to making the environment favourable to FDI.

Despite this progress, businesses and particularly SMEs still have difficulties accessing investment and long-term finance to sustain development, especially in the southeast and eastern regions of the country. In addition, persistent gaps in the intellectual property regime as well as high energy, tax and social security costs inhibit investments and hamper the competitiveness of businesses on domestic and foreign markets.

The inadequate fiscal structure also favours tax evasion via

the informal economy, which is estimated at 50-55%. The problem is prevalent among SMEs operating in downstream markets, e.g. agriculture where 88.2% of employees were estimated to be unregistered in 2005. In addition, Turkey suffers from low employment rates, with less than 4% of unemployed workers receiving unemployment benefits. This is of particular concern for women (participation of women in the workforce is among the lowest in OECD countries), young and elderly people and in eastern rural areas. This has drawn attention to the need for specific reforms to increase flexibility in the labour market and to make the educational sector more responsive to the needs of the economy.

While improving, other social issues remain challenging: child labour is still widespread, especially in the informal and agricultural sectors<sup>6</sup>. In 2002, 4.2% of children between the ages of 6 and 14 years and 28% of those between the ages of 15 and 17 were estimated to be working (UNICEF). More generally, with regard to the International Labour Standards, Turkey still falls short, particularly in relation to the right to organise collective bargaining and freedom of association. While the number of reported cases decreases over time, discrimination against minorities, disabled people and women, limitations of cultural rights and attempts to transgress fundamental human rights still occur. This is partly related to a lack of education and high illiteracy, especially in rural regions, although the Ministry of Education (with UNICEF support) carries out ongoing enrolment campaigns targeted at girls and rural and poorer regions.

For most of the economic and social criteria, greater regional disparities exist in Turkey than in most other countries of the world. This is reflected in the different rate of GDP per capita growth in rich and poor regions (per capita income in the richest provinces is still 6.9 times higher than in the poorest) (World Bank, 2006). The

<sup>5</sup> This includes the Small Enterprise Loan Programme that was initiated by the EU and implemented by KfW and Frankfurt School of Finance and Management.

<sup>6</sup> The State Statistical Institute reported that the number of child labourers between the ages of 12 and 17 dropped from 948,000 in 2003 to 764,000 in 2004. An informal system provides work for young boys at low wages, for example, in auto repair shops. Girls are rarely seen working in public, but many are kept out of school to work in handicrafts (e.g. in the carpet industry), particularly in rural areas. According to the Labour Ministry, 65% of child labour occurs in the agricultural sector (2005).

2006 EU progress report notes that Turkey will need to adapt its structures and legislation in order to create adequate institutional capacity for future management, implementation, monitoring, audit and control aimed at redu-

cing regional disparities. Enhancing social inclusion and balancing regional development are among the most challenging issues Turkish public authorities currently face.

### 2.3 Cultural context

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The foundations of the concept of CSR have historically been strongly influenced by religious values. Indeed, for example, during the 1950-60s in the US, it was frequently debated that private property should not be considered as an absolute and unconditional right but could only be justified if the private administration of possessions was beneficial to the community. In consequence, private owners always had to satisfy the society's basic needs, as they would finally answer for their acts in front of God himself and the society at large (Asquier et al., 2005). In fact, CSR is still often defined as a natural product of business ethics thus presuming that an implicit contract that guides behaviour exists.

The injunction for business people to respect moral values is strongly recognised in Muslim society. Some scholars argue that the principle of equality, heavily stressed in Islamic written tradition, is embodied in the stakeholder principle of CSR. Turkish historians also point to Ahi Evran, the founder of a Medieval Islamic brotherhood supporting business as one of the earliest and most active proponents of "CSR-like" practices in Anatolian commercial practices. He was a strong proponent of the "fütüvvet" (a guild that stressed national unity and integrity, reciprocal respect, social solidarity and mutual assistance). The fütüvvet met in Dervish Lodges, places where trade professionals organised meetings to work and socialise with members of the guild. This guild helped to unify many Anatolian professions after the chaos following the collapse of the Selçuk (Seldjoukide) state in 1300 and has had a continuing historical influence, which still colours commercial relations today.

In addition, a number of verses in the Koran encourage "CSR-like" commercial conduct – stressing the "good neighbour" principle. More specifically, according to the Koran, companies should give 1/40 or 2.5% of their profit to the poor. The fact is that many companies, especially in

rural and less developed areas, still follow this rule, mostly by donating to foundations, supporting their workers' families and organising food aid during Ramadan. This is comparable to activities in some industrialised regions, where most big companies engage in some type of social project, with the main focus being on education, health, arts and culture.

These types of practices brought about a rich and significant history of philanthropy in Turkey, as reflected in the high number of foundations. In the Ottoman era, the "Vakıf" (foundation) was the premier institutional mechanism for philanthropic provision of public services. Vakıf are the common form of philanthropy in the Islamic tradition. Most of the family-owned conglomerates in Turkey have an associated Vakıf, the endowment of which would be funded by the employers' personal assets (e.g. the Koç or Sabancı groups).

Tax exemption is granted in Turkey only for donations made to organisations whose activities are considered to benefit the public. Organisations are granted such status by the cabinet only if they focus on one of the following four areas: education, health, scientific research, and arts and culture. About 200 foundations out of an approximate 3,500 existing private foundations have been classified as serving the 'public good' (Bikmen, 2003).

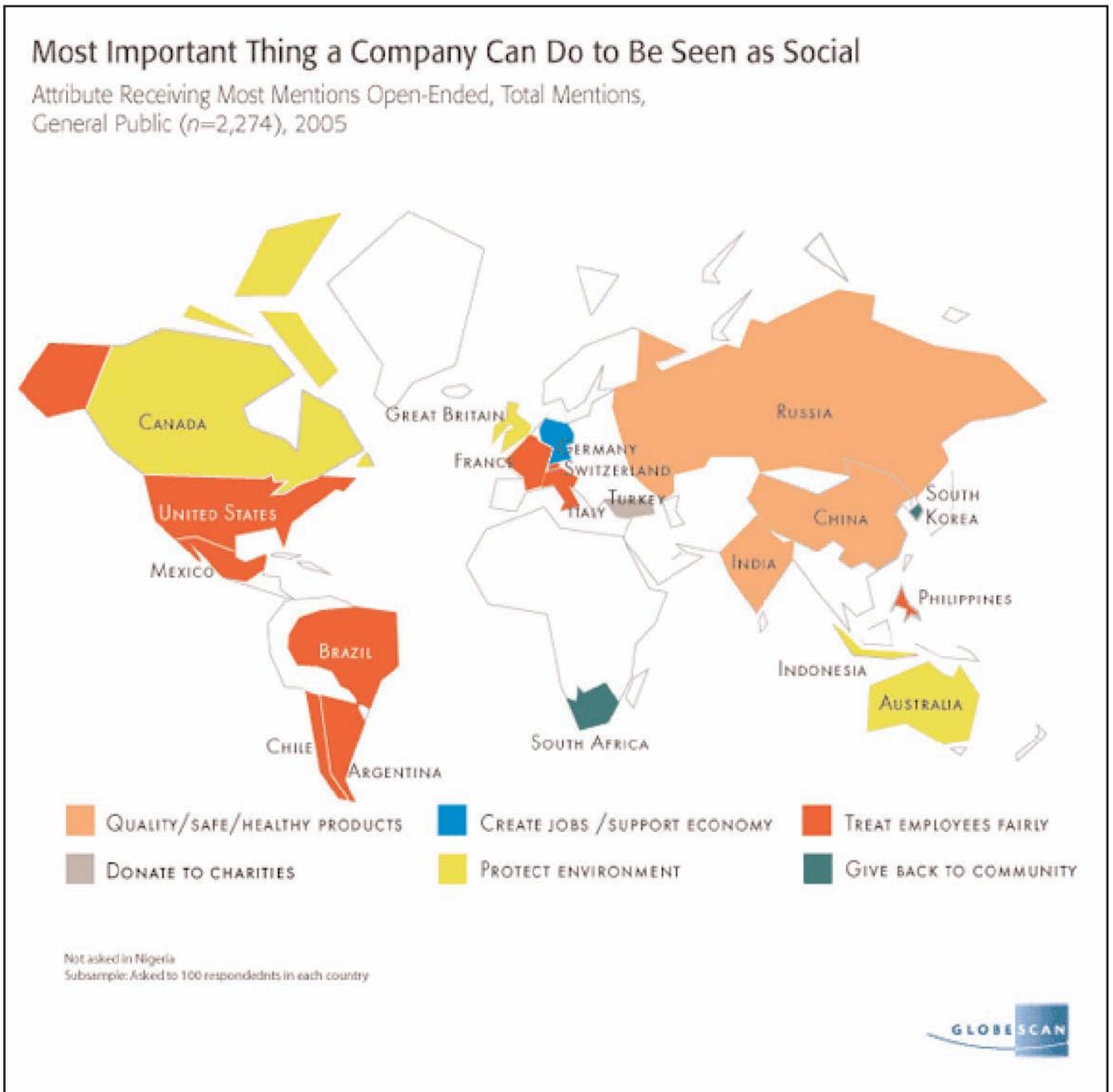
It is important to note that in contrast to Western "marketing" cultures, the Turkish culture does not follow the principle of "do good and talk about it". Particularly in SMEs, but also in some bigger companies, it is not perceived as appropriate to talk about these social activities. Consequently, common social practices tend not even to appear in company bookkeeping and remain unrecorded and 'uncommunicated'. This raises the question of whether one can communicate about reporting and transparency in order to raise awareness of CSR in this context.

The 2007 *GlobeScan CSR Monitor*<sup>7</sup> which is built from

over 25,000 interviews across 25 countries thus representing viewpoints from all continents across the world, confirmed that Turkish society thinks charitable donations

are highly important and that the understanding of CSR in Turkey is mostly limited to aspects of corporate giving and philanthropy.

Figure 1. CSR as perceived in different countries



Source: GlobeScan CSR Monitor 2007.

<sup>7</sup> [http://www.globescan.com/rf\\_csr\\_definition\\_02.htm](http://www.globescan.com/rf_csr_definition_02.htm)

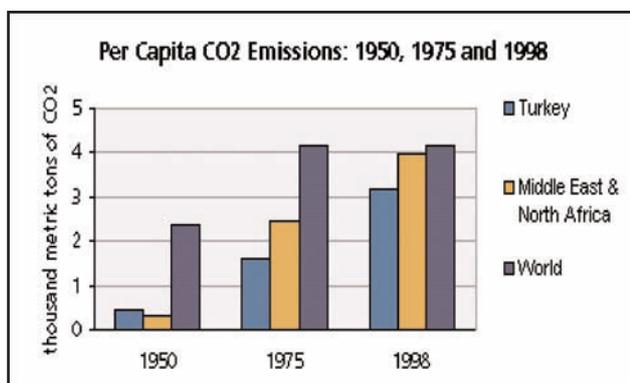
## 2.4 Natural resources and sustainable development

Thanks to its central location between Europe, Asia, and Africa, Turkey's natural environment and resources are rich and diverse. Moreover the country is well endowed with freshwater resources due to the combination of a generous precipitation regime and a network of lakes, rivers and groundwater reserves. The country's very specific bioclimate and geographic as well as human history have resulted in rich fauna as well as flora<sup>8</sup> (with 75% of European plant species present, nearly a third endemic to Turkey). Consequently, Turkey has the most diverse ecosystems within the Mediterranean basin<sup>9</sup>.

Since the mid 1990s, these fragile ecosystems have been put under severe stress by Turkey's rapid economic growth, interrelated as it is with high population growth, rising incomes, energy and natural resources (water, soil, etc.) and rapid urbanisation and booming tourism (mostly concentrated along littorals).

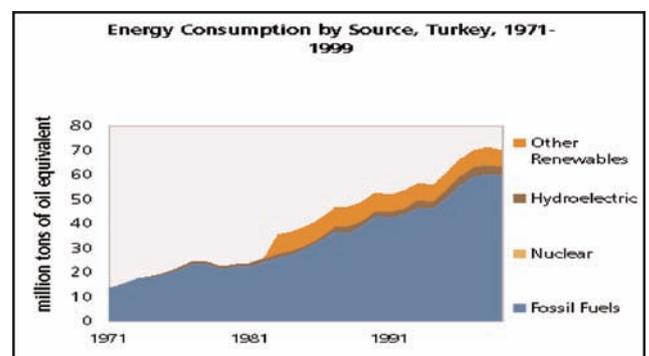
As a result, Turkey faces important environmental problems ranging from biodiversity and soil erosion to air, water and sea pollution as well as a steady rise in per capita CO<sub>2</sub> emissions, although still low in comparison to some developed regions. The environmental impact of economic activity is not only increasingly visible but also widely acknowledged by all mainstream stakeholders in Turkey (Adaman and Arsel, 2005). Among the most challenging are the following:

- **Air pollution in cities** (particularly Istanbul, Ankara, Erzurum and Bursa) from a combination of industrial and domestic sources. Some progress would result from uptake of cleaner technologies such as filtration equipment for polluting industries (e.g. fertilizer, metallurgy, cement and sugar) as well as investment in public transportation infrastructure, which would reduce auto-



mobile traffic;

- **Marine pollution**, especially from oil transport through the narrow Bosphorus straits, with the risk of severe accidents, and from the growing tourism sector that lacks proper water and waste treatment capacities;
- **Freshwater pollution**, from the unregulated and uncontrolled dumping of waste (including detergents and chemicals); the lack of proper water sanitation facilities in urban and industrial areas, as well as from increased use of chemicals in the agricultural sector. This situation requires huge investment in water treatment plants and wastewater treatment facilities, as well as in solid waste management;
- **Low energy efficiency in the building and industrial sectors as well as high dependence on hydrocarbon energy sources** although already complemented by substantial renewable energy resources (with growing hydroelectric capacity). Further efforts are needed especially in the housing sector;
- **Land degradation** caused by inappropriate use of agricultural land, overgrazing, over-fertilisation, and deforestation. Serious soil erosion is occurring in more than half of Turkey's land surface, causing the annual loss of around 1 billion tonnes of topsoil;
- **Biodiversity erosion and habitat fragmentation:** Only about 3.8% of the country is protected, a low figure when key biodiversity areas make up about 27% of the Turkish landmass. In 2002, 67 species red-listed by IUCN were known to be under threat in Turkey.



<sup>8</sup> With nearly 9,000 species of vascular plants and ferns, Turkey has the richest flora of any country in the temperate zone. New plant species are still being discovered in Turkey at a rate of more than one a week.

<sup>9</sup> Significant parts of one endemic bird area, three biodiversity hotspots and five Global 200 Ecoregions extend into Turkey.

In general, the environmental situation suffers from weak, although improving, environmental legislation<sup>10</sup>, insufficient enforcement capacities, a deficiency of budgetary resources allocated to environmental protection and rehabilitation and insufficient coordination among public environmental institutions. Although a number of

initiatives on sustainable development have been forwarded (including development planning, the National Environmental Action Plan as well as a National Agenda 21), these remain fragmented and there is a further need to identify a holistic strategy (see Section 4.1 below).

## 2.5 Key findings

The key findings of this short analysis of the Turkish context of CSR-related issues should help identify priority areas in which businesses and public authorities could support each other in efforts to promote sustainable development. It also provides an overview of some of the drivers and constraints they will face in integrating CSR principles.

i. From a **normative** point of view, Turkey faces the challenge of rapidly adapting its laws and regulations to EU norms. By its very nature, a voluntary uptake of CSR practices by businesses could potentially drive this process. By promoting this voluntary adoption, the concrete application of CSR norms could precede their full transposition into Turkish law. Moreover, through it, companies will gain experience of the constraints attached to these norms, and feedback from them could provide valuable input into the process of fine-tuning EU directives to the Turkish context. Specific priorities are highlighted in Figure 1 above.

► *For this reason, although the European Commission holds CSR practices as beyond the scope of the EU Acquis, the authors argue that companies' adoption of EU norms can be considered in Turkey as a progress towards CSR practices. In addition, as public institutions lack the resources to support and inform SMEs, many still struggle to comply with some of the current legal requirements. For the authors, this fact lends further weight to the proposal that movement towards compliance with legal requirements could be integrated into the promotion of CSR practices in Turkey.*

ii. From an **economic** point of view:

► *The opportunities offered by the EU and US markets for Turkish products and services as well as the prospect of a rapid growth in tourism could become key drivers for the promotion of CSR in Turkey. Building on this*

*trend, the promotion of CSR could be channelled through an effort to improve CSR performances of Turkish competitive chains of custody (such as flowers/bulbs, textile, high tech, car industry, cement, etc.) so to answer the demand of international buyers or customers for ethical goods.*

► *The core principles of good governance and transparency must urgently be strengthened in order to boost the confidence of foreign investors in the Turkish economy. CSR could be a tool to help mainstream such practices in Turkish companies and financial institutions.*

iii. From a **cultural** point of view, the analysis shows that in the Turkish context, businessmen are already familiar with some core values related to the concept of CSR. Of these, awareness of a social responsibility towards the community is most widespread and is strongly reflected in the history of philanthropy in the country and the current practice of corporate giving.

► *Although Western definitions of CSR generally differentiate it from philanthropy, in the authors' views, CSR can build on the country's philanthropic tradition. However, in order to achieve sustainable development and to improve the efficiency of such practices, the specific challenge will be to help the business community understand that its social responsibility extends beyond personal engagement and encompasses the responsibility of company managers for the impact of their business on society. This will mean reorienting or extending corporate giving efforts to objectives more closely related to their core business and towards practices responding to the expressed needs of local stakeholders*

<sup>10</sup> Although the environmental law was updated in 2005, it is still widely acknowledged that environmental issues are insufficiently integrated into sector policies and regulations.

(employees, local population and associations). In turn, this would support the public authorities' and EU efforts to promote quality social dialogue.

- iv. Given the **environmental** challenges faced by Turkey, innovations and investments in the energy, water treatment, agro-ecology or "sustainable construction" sectors are urgently needed to ensure a sustainable future. As such innovations are needed in almost all emerging markets (Eastern Europe, China, India, Brazil etc.), as well as protecting the Turkish environment, a rapid development of such innovative products and technologies could give Turkish companies a competitive edge in these emerging markets.

- v. Even more than the environment, **social** progress is of utmost importance for Turkey. Areas where progress is needed range from women and children as well as minorities protection to workers rights, and regional integration. Again, in this area, responsible companies represent a potential partner for public authorities. They can support awareness raising campaigns and contribute to promoting practices.

Based on such findings, it seems clear that if well adapted and targeted, CSR could be a channel through which public authorities build a concrete partnership with companies and financial institutions to help them respond to the challenge of ensuring a sustainable future for Turkey.

### 3. Current state of CSR in Turkey: Key Initiatives and Attitudes

In order to assess the level of “CSR demand” as well as the acceptance of the concept by key public and private stakeholders in Turkey, the authors carried out an analysis aimed firstly at assessing the extent to which CSR has been promoted or implemented, and secondly, at understanding the determining factors behind the observed successes and failures of such initiatives.

The following assessment is based on a combination of literature review, and face-to-face interviews with 49 organisations ranging from public administrations, professional and

non-governmental associations, to individual experts and company managers from large international companies and SMEs as well as financial institutions (international and local). Moreover, two focus groups have been organised in two representative industrial areas (Ganziantep and Istanbul). Such exchanges were conducted in light of the key findings of the Turkish context as presented above. The objective was both to understand concrete initiatives and practices as well as to capture stakeholders’ opinions on CSR.

#### 3.1 Private sector

##### 3.1.1 Individual companies

Research indicated that in 2006, CSR was considered as a public relations (PR) and marketing tool by most of the interviewed companies. This perception was confirmed by the GlobeScan CSR Monitor 2007 report. The leading provider of mobile communications services in Turkey, Turkcell, serves as an example. This company was awarded the International Public Relations Excellence Award for its initiative of “Contemporary Girls of Contemporary Turkey”. This programme, presented by the company as its

most important CSR activity, provides scholarships for 5,000 girls in rural parts of Turkey. Although supporting development objectives, this project does not improve the contribution of Turkcell’s core business activities to sustainable development.

As result, when a specific position exists for CSR-related functions within companies, the person generally works within the communications department. Moreover, CSR programmes are often out-sourced to PR consulting firms with a clear objective of improving the brand reputation.

#### Box 2: Teko Aluminium case study

##### Teko Alüminyum

##### Mission

‘To become the leader supplier inland and abroad by providing satisfaction to our customers expectations with team work and best working conditions.’

##### Vision

'To become an exclusive company in Turkey and abroad by providing the best service with the best quality to our clients.'

Teko Alüminyum was created in 1973 and started with packaging in the 1980s. The company is run by Mr. Kadir Mamati and his two sons, Müfit and Mahmut Aziz Mamati. It is a typical, family operated business.

The company has 80 employees, out of which 8 are women. The company mainly produces pre-cut aluminium lids and aluminium foils as well as aluminium foils and caps (serum, pharmacy, olive oil, soda and alcoholic drinks caps) for the use of dairy and food and pharmaceutical industries. Plastic and aluminium laminated products form 15% of total production.

Teko Alüminyum is a successful company, with total turnover increase of 214% from 2003 (€2.8 millions) to 2005 (€6 M). The total production capacity is 1.7 tonnes/year (laminated, imprinted aluminium foil and various aluminium covers), of which 20% is exported, mainly to Bulgaria. In Turkey, the company is a supplier of almost all the dairy industry, including major brands such as Danone, Sütas and Pinar.

#### Corporate Social Responsibility performance

**Quality and Environment:** The production plant is certified ISO9000-2000 (quality management) and BRC/ICP (packaging). In addition the company is committed to complete recycling and valorisation of aluminium waste. The company decided in 2006 to invest in an innovative production type, replacing alcoholic solvents by environmentally friendly components. Total investment cost was EUR1.5M, including the extension of the factory and purchase of new machines. The investment was financed up to 600 000 EUR by AFD through a credit line to Türkiye Halkbankasi (Halkbank). The new equipment will be operated by 7 people and it will double the production capacity. As a result, Teko not only complies with but goes beyond Turkish environmental regulation.

**Social:** Employees go through a health check-up every 6 months and get gifts during religious periods such as Ramadan. They also benefit from a shuttle service and refectory for lunch. The company runs from 8.30 to 18.30 and also on Saturdays. The owner considers the employees as the company's most important stakeholder. In return, employees seem loyal and devoted to the company.

The survey by Ararat *et al.* (2006) of 30 Turkish companies in 2006 revealed that most companies consider their employees as their most important stakeholder group, whereas trade unions are hardly mentioned. In contrast, neither customers, local authorities, public administrations, the environment, nor future generations were included in the companies' concept of stakeholders.

The survey also indicated that recognising stakeholders does not necessarily imply that the company is ready to involve them in management decisions, as confirmed by the quasi absence of instruments and mechanisms to ensure stakeholder participation in Turkish companies. Indeed, 68% of the companies surveyed did not recognise any of the stakeholders mentioned in the Corporate Governance principles quoted by the survey. Clearly, the concept of stakeholder management is not widely understood.

In contrast, a strong tradition of quality exists among the Turkish business community. More than any other concept, the mission statements of Turkish companies refer to 'qua-

lity'<sup>11</sup>. This tradition has been long supported by the work of the Turkish Quality Association and is reflected in a rapidly increasing number of ISO 9000 certifications (there are currently 14,000 ISO 9000 certificates and KalDer, an association for the promotion of quality in Turkey, expects a further 28-32% increase in 2006). In addition, most of the largest Turkish companies comply with EFQM<sup>12</sup> standards and their executives frequently sit on the board of EFQM. The new EFQM standard includes a CSR framework that supports organisations in building an individual CSR strategy based on an assessment of their relations with stakeholders, and of their impact on environment and society at large. In a sense, this quality

<sup>11</sup> Ascigil (2003), unpublished TESEV survey that explored management attitudes towards CSR in Turkey.

<sup>12</sup> European Foundation for Quality Management

orientation of Turkish managers indicates a good understanding of the concept of CSR, although it is not necessarily perceived as such. According to Ararat, this quality tradition might be interpreted as a major driver of CSR in Turkey. The importance of business ethics should also be noted. Of the 30 companies interviewed, 77% had a code of ethics, although only 5 disclosed it publicly. However, deeper analyses revealed that such codes were rather simple and mostly targeted employees with no commitments to fair play or business integrity. Surprisingly, another report by the Turkish Ethical Values Centre (TEDMER)<sup>13</sup> concludes that companies perceive ethical behaviour as a competitive disadvantage, as it is considered to impose additional costs on the company that other – “unethical” – companies do not face and are thus given an advantage of lower overall costs. This would, of course, be a very short-term advantage.

The quality movement, having started with standards such as ISO 9000 or the EFQM, is currently moving towards a more explicit integration of environmental and social issues, with a recent but steady rise in the number of ISO 14000 certifications (700-800 certificates in 2005, and a forecast rise ranging from 62 to 125% for 2006), OHSAS 18 001 (health and safety) certifications, as well as the recent emergence of SA 8000 (9 certifications in 2005), particularly in the textile industry. Strongly influenced by the European and US market, this development - if similar to what was witnessed in most European countries - could well announce the development of CSR standards such as the Global Reporting Initiative for sustainability reporting within a few years.

The textile sector provides a good example of how the export market can impact the way Turkish industries interpret CSR: this sector is Turkey's largest manufacturing industry (it provides almost 20% of the country's employment). Although largely dominated by SMEs, most of which are family owned, the sector remains Turkey's largest export sector, with key markets being Germany and the UK.

According to the Istanbul Textile and Apparel Exporter's Association (ITKIB), most of the textile, clothing and textile chemical companies have ISO 9001 or ISO 9002 certificates. In addition, the ILO states<sup>14</sup> that almost half of the garment industry is submitted to social audits: a trend that began in the early 1990s. However, these are carried out against the benchmark of codes of conduct developed by large importers that are often partial, as for example, only 10-15% of brands pay real attention to freedom of association and collective bargaining in social auditing. Moreover, because importers are mostly attacked for poor social performance in terms of sensitive issues such as child labour in supply regions, importing brands rarely include environmental issues in their standards. Consequently, apart from some committed companies (e.g. Hey Tekstil), the textile industry's CSR approach reflects buyer demand, and lags behind in terms of systematic management of social and environmental impacts within the entire chain of custody. Again, driven by market demand, Turkey has become one of the leaders in organic cotton production, but low and insufficient attention is given to the environmental impact of its diverse treatment along the processing chain of custody, particularly during the colouring phases.

#### Box 3: Hey Tekstil case study

##### Hey Tekstil

###### *General Information:*

Hey Tekstil, founded in 1992, is a family operated business. A steady growth of sales has been observed since the first day the company was established. It now has six factories in Turkey (4) and Albania, and is one of the largest Turkish suppliers for the UK market. In 2005, turnover was approximately € 91 million with a total of 2,500 employees.

The company produces all kinds of circular knitwear and bottom outwear, with all products being exported, mainly to the UK. Most of Hey Tekstil's customers require CSR codes of conduct. They include Reebok (Fair Labor Association - FLA member), Esprit, Otto, Hema

<sup>13</sup> <http://www.tedmer.org.tr/ing/arastirmalarimiz.htm>

<sup>14</sup> Technical Meeting of Social Auditors Operating in Turkey, Ankara, 18 May 2005.

(Business Social Compliance Initiative - BSCI members), Levi's, Gap, H&M, La Senza, Tommy Hilfiger and others.

#### **CSR performances and activities**

Hey Tekstil began working on CSR after having to comply with the Reebok Human Rights Department's code of conduct in 1998. This was when the first CSR requests came to Turkey, as part of a global survey launched by Reebok. Since then, the company **has successfully met the specific audit controls for CSR codes of conduct developed by other buyers**. More recently, Hey Tekstil became a supplier of the Levi's Supplier Ownership Project.

The company is an active member of the **GTZ Round Table** for the establishment of a social standard for the Turkish textile sector, together with TGSD, ITKIB, CSR Association Turkey, TOBB, labour unions, universities and NGOs. Together with other stakeholders (BCSI, SAI and ITKIB), Hey Tekstil participates in the continuous improvement of the sector's social standards through the **"Improving Social Standards of the Turkish Textile Sector"** project. The project works towards a capacity building and training programme in 40 of the main textile factories in Turkey as well as 40 of their subcontractors. The project will then offer technical training to 5 other textile factories. Within the project, Hey Tekstil acts as a trainer and training material provider. The project will end in May 2008.

With regards to environmental issues, Hey Tekstil built a "domestic waste water treatment facility" for 500 employees in its factory at Hey Cerkes, Cankiri. The facility was finalised in December 2006. In 2007, Hey Tekstil audited its supply chain in light of its 2007 **environmental standards**. This led to the development of a chemical waste treatment facility by a screen-printing sub-contractor based in Cerkes.

Hey Tekstil established a CSR Department on August 1st, 2006.

Any discussion of the Turkish private sector must assess the specific situation of SMEs as, according to a 2004 AFD survey of the productive sector in the country, SMEs accounted for 99.9% of all companies and about 80% of total employment (Djoufelkit-Cottenet, 2004).

The 2006 AFD survey also confirmed, as is the case in many countries, that with few exceptions, Turkish SMEs have little knowledge about sustainability and CSR. Access to information and cleaner technologies is generally lacking, and, as mentioned in Section 2.2 above, banking credits that would enable modernisation of equipment are difficult to obtain.

With regards to CSR, this atomisation of the Turkish productive sector presents a potential difficulty when developing efficient strategies for the improvement of the average social and environmental performance of companies. As SMEs have a relatively low individual social and environmental impact, a significant reduction of the overall environmental and social impact of the Turkish productive sector requires solutions designed to reach thousands of individual managers.

Thus, four main categories of actors have the potential to act efficiently in this situation: (i) the banking sector through the development of financial and technical structured services to SMEs (see Figure 9 for the example of TEB); (ii) professional organisations such as chambers of commerce or sector unions (see Figure 8 for the example of the roundtable for social standards in the textile sector); (iii) large buyers (local or international) that can request their suppliers to comply with best practice codes of conduct (see Figure 4); and, (iv) local authorities that can support the proper equipment of industrial zones with collective solid waste and water treatment facilities and provide incentives for SMEs to act responsibly with regards to labour rights (AFD survey team could not find Turkish examples of this. However, examples exist in Europe where municipalities or public agencies have played a central role in helping SMEs improve their CSR performance).

Apart from local authorities, for which Turkish examples seem rare, the AFD survey indicates that the other three categories (banks, professional organisations and large buyers) have already started working on the subject – very good news for future improvements.

**Box 4: TeknoSA case study**

**General information**

TeknoSA is the biggest technology retail marketing organisation. There are more than 100 shops all around Turkey (25 cities) with more than 1,750 employees. TeknoSA belongs to Sabanci Holding. Having been established in 2001, in 6 years time the company managed to become the biggest technology retailer in Turkey. TeknoSA is marketing the international trademark's electronic products. They are marketing more than 3,000 different products.

**CSR understanding:**

TeknoSA believes that CSR should create win-win situations for the companies and for the public.

**CSR relevant activities**

Keeping that concept in mind, they opened an academy to train young people in a one-month programme in retail business and marketing, as well as product management.

TeknoSA gives job guarantees to all young people having successfully completed the one month course. Full-board accommodation for the students is provided by the company. Each month TeknoSA is training more than 200 people in Turkey and providing job opportunities to the ones who want to work with TeknoSA. The students are free to search another employer after the completion of the course, i.e. they do not have to commit themselves to work with the company for a certain period of time.

The popularity of TeknoSA Academy is high, they are currently receiving more applications than they can handle, so the company is planning to extend the academy and try to train more young people. It is planned to extend the training to other business topics, so the graduates can also work within other sectors in the Sabanci Holding Co. Group.

Among TeknoSA's other CSR programme is a yearly youth science competition. As a technical equipment company, they want to motivate young people to be innovative in technology. With the competition TeknoSA is awarding young people who invented the most innovative technological project.

**3.1.2 Private sector associations**

Turkey has established business support infrastructure for large companies and SMEs which includes KOSGEB (Small and Medium Sized Industry Development Organization), TTGV (Technology Development Foundation of Turkey), TUBITAK (Scientific and Technical Research Council of Turkey), the chambers of commerce and industry, KGF (Credit Guarantee Fund), TOBB (the National Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges) and TISK (Turkish Confederation of Employer Associations). Every city in Turkey has a chamber of commerce and a chamber of industry except for smaller cities where the chambers are merged. In addition, an EU pilot project supported agencies such as the Innovation Relay Centre in Izmir and the Abigem Business Centre. Among other services, the latter

provides companies with technical advice and information on environmental norms and new technologies.

Such organisations provide a platform through which various Turkish organisations are already participating in European CSR initiatives. For example, TÜSIAD, TOBB and TISK participate in the EU Multi Stakeholder Forum on CSR. TOBB and TESK particularly, have participated actively in the European CSR awareness campaign, initiated by the European Commission's DG Enterprise, together with the Euro Info Centre Network, which developed CSR toolkits especially targeted to SMEs. As a result, these toolkits have been published in the Turkish language<sup>15</sup>.

<sup>15</sup> [http://europa.eu.int/comm/enterprise/csr/campaign/index\\_tr.htm](http://europa.eu.int/comm/enterprise/csr/campaign/index_tr.htm)

Although they recognise the growing importance of the subject, apart from this initiative, none of the mentioned organisations offers specific services to companies with regards to CSR. Their activities focus instead on issues such as business management and commercial services.

Today, there are only two Turkish associations dealing exclusively with CSR or sustainable development. These are the CSR Association of Turkey and the Turkish Business Council for Sustainable Development (TBCSD).

#### Box 5: The Turkish Business Council for Sustainable Development

BCSD Turkey was launched in October 2004 as an affiliate of the World Business Council on Sustainable Development. Its objective is to create awareness among the business community thus contributing to a more sustainable future for Turkey.

TBCSD is a non-profit association, led by business leaders, which functions as an exchange platform that enables interaction among business leaders, government, NGOs, and civil society at national and international levels. The platform's activities support companies with information on the concept of sustainable development as well as help them to mainstream sustainable development principles into their daily business practices.

TBCSD's major goals are:

- To communicate and spread the basic and fundamental elements of sustainable development, to initiate research and publish reports;
- To raise awareness among the Turkish business community on the principles of sustainable development;
- To experience and share CSR best practice;
- To implement sustainable development concepts within business strategies;
- To work with government authorities to develop new policies thus contributing to a more sustainable future in Turkey; and
- To create cooperation between the business community, government, local authorities, NGOs and civil society.

Current Members of TBCSD:

- Akçansa Çimento Sanayi Ve Ticaret A.Ş.
- Aygaz A.Ş.
- BP Petrolleri A.Ş.
- Brighthwell Holdings Bv
- CEVA Lojistik Ltd. Şti.
- Coca Cola Meşrubat Paz Ve Danış. Hizmetleri A.Ş.
- Dekon Kongre Ve Turizm A.Ş.
- E&E Danışmanlık
- İstanbul Ulaşım San. Ve Tic. A.Ş
- LAFARGE Türkiye
- MNG Kargo Yurtiçi Ve Yurtdışı Taşımacılık A.Ş.
- P&G Tüketim Malları Sanayi A.Ş.
- PricewaterhouseCoopers Danışmanlık Hizmetleri Ltd.Şti.
- Boreal Grup Sponsorluk, Danışmanlık ve Turizm Hiz. Ltd. Şti

- SHELL Türkiye
- TAV Yatırım Holding A.Ş
- Thames Water
- TNT Express Türkiye

### 3.1.3 Financial sector

The Turkish banking sector consists of 47 banks. Of the 34 deposit banks, 17 are privately owned national institutions, 3 are state-owned, and 13 have foreign ownership. Banks generally operate in accordance with international rules and practices, extensively applying continental European banking practices. During 2003 and 2004, Turkish accounting standards were brought mostly into line with international accounting standards (see Figure 1).

With regards to CSR, Turkish banks cannot be considered advanced although some aspects of the concept are already strongly recognised. For example, good governance, conformity and ethics are naturally part of the culture and practices of most banks (77% had produced a code of ethics by 2005).

Being European or international, financial institutions have been generally slow to see environmental and social safeguards applied to their investments. Influenced by NGO campaigns targeting the financial sector, this situation has recently improved. Various initiatives have supported this movement, among them the Equator Principle Network that promotes the adoption by banks of environmental and social safeguards derived from the standard established by the International Finance Corporation<sup>16</sup>.

Turkish banks are no exception to the international rule. Their policies and procedures for managing the social and environmental impact of their investments are generally new and focus almost exclusively on environmental measures arising from internationally accepted standards. In most cases, these procedures were implemented following the requests of international donors (e.g. IFC, EIB, KfW, etc.). As a result, in some cases, these measures are only applied to projects financed through these international donors' credit lines. Unless explicitly required by the donor, the Equator Principles are not generally applied to SMEs. Moreover, it is still rare to find a bank equipped with the human resources and expertise that would enable it to

monitor correct application of these Principles. Interviews carried out during this study indicated that when monitoring exists, it is restricted to verifying that a company possesses the required legal documents and permits, rather than checking compliance with legislation.

In terms of social performance, existing activities focus primarily on in-house training programmes for bank employees (72% of the banks offer such programmes). Labour issues such as working hours and environment, rights to unionise etc. are of secondary importance. Research recently conducted by the Trakya and London Metropolitan universities<sup>17</sup> found that only four banks in Turkey permitted their employees to join the Labour Union of Bank and Insurance Workers. It also discovered that only four banks donate to social programmes for education, sports, arts, peace and environment and only two associate with NGOs when developing such programmes (for example Garanti Bank is the World Wildlife Fund's main sponsor in Turkey).

In fact, the Turkish financial sector exhibits poor awareness of its potential contribution to sustainable development. Moreover, the direct economic or image return of CSR investments is also low as there is almost no pressure exerted on the banking sector from customers, civil society or a regulatory framework. As a result, communication from the sector both to the public and to shareholders refers very rarely to CSR, and CSR reporting is almost nonexistent.

Based on available information and interviews, TEB and Akbank can be considered at the spearhead of CSR-related activities in the banking sector in Turkey.

<sup>16</sup> [www.equator-principles.com](http://www.equator-principles.com)

<sup>17</sup> Trakya University and London Metropolitan University (2005) "Social Responsibility Effects on Shareholder Prices: An Analysis of the Banking Sector in Turkey"

Akbank, as well as its subsidiary Aksecurities, was identified as having a great interest in developing CSR. The Akbank website already mentions its commitment to CSR: “In all of the Bank’s operations, practices and investments, we take into consideration the Bank’s image, benefit and profitability, as well as the public interest, the improvement of the banking industry and maintenance of the confidence in the industry. We consistently attempt to comply with all legal arrangements regarding the environment, the consumer and public welfare”.

TEB recently signed an agreement with AFD to develop a broad CSR programme aimed at building the bank’s CSR

strategy and at improving CSR practices among its SME clients. The bank will be supported in this objective by BNP Paribas, which entered its capital in 2005 (see Figure 9).

The EU accession process and the application of EU regulations to the financial sector will strengthen this positive evolution. The situation will also be strongly influenced by the increased entry of foreign capital<sup>18</sup> into Turkish banks as foreign investors bring in new capital, lower cost financing, new governance requirements and risk management technologies (including social and environmental risk), as well as changing attitudes towards CSR.

### 3.2 Public administration

Generally speaking, Turkish public authorities could have a two-fold task in promoting CSR.

First, their role in harmonisation, implementation and enforcement of the EC Acquis is in itself of utmost importance, as Turkey’s accession process will facilitate greater alignment on EU commercial, environmental and social legislation.<sup>19</sup>

Secondly, they have a role to play in:

- Devising the appropriate incentive structures for companies to behave and actually function responsibly;
- Ensuring that civil society has the necessary resources to function effectively; and
- Raising consumer awareness about their rights.

As part of the study, the CSR-related activities of the Turkish ministries of environment, agriculture, tourism, and industry were analysed. The review revealed a relatively low level of awareness of CSR in the public sector. While interviewees were very familiar with the concept and terminology attached to sustainability, the word CSR was in itself rarely known.

As most administrations focused on the implementation of the EU Acquis, promotion of CSR practices was considered a secondary priority, or a voluntary add-on, to be developed by companies themselves. If supported by public departments, CSR would be dealt with only after the EU Acquis was successfully transposed into Turkish legislation.

The concept and practice of CSR are not yet considered as

potentially complementing public efforts towards this objective. None of the interviewees were aware of public support for current initiatives promoting CSR practices in Turkey, with the exception of the Capital Market Board and its work on corporate management principles and the establishment of a Capital Market Law. When they exist at all, exchanges between such initiatives and the public administration are rare. For example, only one roundtable has been organised by GTZ and the Ministry of Labour to establish a dialogue on the development of national social standards for the textile sector (see Section 3.3.4).

Apart from the already mentioned Capital Market Board corporate governance initiative, or the departmental efforts to translate EU legislation in Turkey, the research team encountered some difficulty in identifying initiatives led by the public administration to: (i) inform, raise awareness and engage businesses in a dialogue and negotiations concerning voluntary initiatives, and institutionalise this process;

<sup>18</sup> HSBC became the first major entrant into the commercial banking market by acquiring Demirbank in 2001. In 2005, Unicredito Italiano acquired a stake in YapıKredi through a partnership it had entered in Koçbank in 2002. Other transactions include Fortis and Disbank (2005), TEB and BNP Paribas (2005), GE and Garanti (2005), National Bank of Greece and Finansbank (2006), Dexia and Denizbank (2006) and Citigroup and Akbank (2006).

<sup>19</sup> Speech of former EU Ambassador to Turkey Hansjoerg Kretschmer at the “Conference on Globalisation and Institutional Social Responsibility” organised by the Marmara Foundation (2005).

(ii) offer any kind of incentives or technical support to firms seeking to adopt more social and environmentally responsible business models (except tax exemptions for donations); or (iii) re-enforce monitoring of social and environmental conditions and enforce sanctions.

An initiative by the Ministry of Labour and Social Security (MLSS), governing the labour market, forms an interesting example. The observance of labour market related laws and regulations by companies are monitored by the Work Inspection Board (WIB), which is the inspection body of the MLSS. One of the major goals of the WIB is to enact a labelling mechanism that would give companies the right to a label that attests to their compliance with social responsibility criteria. These criteria will be determined based on international agreements and national rules (e.g. ILO). They will include items such as no employment without social security coverage, no child labour, timely wage and salary payments, observance of annual leave, appropriate workplace health and security, etc. Companies will either voluntarily apply to the WIB for

the label or the WIB will automatically extend the label to companies that comply with standards as discovered through regular inspections. Companies will be free to include the label on their products or services.

According to the WIB, this label will facilitate a public procurement preference for product and services produced by socially responsible suppliers. The MLSS also sees such a measure to be a soft tool to support enforcement of labour market laws and regulations, as well as a potential means of reducing the unregistered economy. As a complement to the label, the WIB also plans to raise CSR public awareness through mass media. It is the intention to promote the ISO 26000 norm in Turkey as soon as it becomes fully operational at international level (2008).

This initiative provides a very good example of how soft regulation (here a voluntary labelling scheme supported by awareness campaigns) can transform businesses into agents in the enforcement of public policies. This mechanism could be extended more systematically through the active promotion of CSR practices.

### 3.3 International organisations

In Turkey, a large number of international organisations, ranging from multilateral organisations (UNDP, UNEP, ILO, World Bank group), regional (EIB, EU) and bilateral donors (KfW/GTZ, AFD, British Council, etc.), implement or fund programmes and projects aimed at strengthening the private sector. This is accomplished through diverse means: some organisations run their own programmes (e.g. UNDP, UNEP, ILO and even the British Council or the EU Delegation), others (mainly donors) fund programmes or projects implemented by Turkish partners including individual private companies, municipalities, local banks or public/semi public organisations.

Although many of their respective programmes share the same objective and sometimes target the same partners, it is surprising to note how little they collaborate or inform each other<sup>20</sup>. This is particularly true when it comes to CSR-related activities in their programmes as presented in the following sections.

#### 3.3.1 European Commission

The European CSR debate, as part of the EU Lisbon Agenda for Growth and Jobs, has been ongoing for some time. It was launched in 2001 by the publication of a green book on CSR, shortly followed by a European Commission specific communiqué in 2002. A multi-stakeholder forum was then founded to enable various stakeholders to dialogue in determining the Commission's strategy towards CSR. Based on the discussions of this forum, a new communiqué on CSR entitled 'Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR'<sup>21</sup> was published in March 2006, with a specific focus

<sup>20</sup> This lack of coordination among donor agencies is not specific to Turkey and is regularly quoted by the OECD as diminishing the efficiency of public aid in developing and emerging countries.

<sup>21</sup> COM (2006) 136 final.

on Member States where CSR is less known, as well as on acceding and candidate countries such as Turkey. This communiqué was followed by a European Parliament Resolution on CSR in March 2007.

This debate is of particular importance for Turkey from the perspective of the accession process. In itself, it is a reflection of two recurrent points of tension in all debates on CSR: (i) the regulatory versus voluntary nature of CSR; and (ii) the ambiguous relationship between businesses' commitments to CSR and business competitiveness. Apart from the difficulties of overcoming these two constraints, a European consensus is discernable from the publications:

- Social and environmental responsibility by business, linked to the principle of corporate accountability, represents an essential element of the European social model based on equal opportunities, high quality of life, social inclusion and a healthy environment. It supports Europe's strategy for sustainable development, particularly the Lisbon Agenda for growth and jobs, and for the purposes of meeting the social challenges of economic globalisation.
- CSR is recognised as a powerful means for businesses to partner with public authorities in the search for sustainable development. Therefore, the responsibilities are twofold:
  - (i) Public, as the EU has to improve the consistency of its regulative framework with regard to CSR-related issues. This means an effort by the EC and member countries to mainstream CSR in all sector policies and to develop an enabling environment for responsible companies; and,
  - (ii) Private, as the potential of businesses can and should be better harnessed in support of EU public

policies towards sustainable development. Moreover, the contribution of non-business stakeholders such as NGOs and professionals is key for the development of CSR.

In support of this vision, the European Commission launched a "CSR Alliance" in March 2006, whereby all stakeholders (government, businesses and civil society organisation) are invited to collaborate to increase the uptake of CSR. The focus of this informal strategy is support for public awareness, promotion of best practice and exchange of experience, with an emphasis on SMEs and Member States in which CSR is a less well-known concept, as well as in acceding and candidate countries.

#### EC Delegation in Turkey

The mission and activities of the EC in Turkey are centred on the fulfilment of the EU Acquis criteria. But, although the CSR Alliance gives priority to candidate countries, and strongly links CSR with EU public policies, there is little if not nothing done at the local level to promote CSR as such. Moreover, the EC Turkish delegation translates the European CSR definition as being restricted to voluntary corporate initiatives and practices that go beyond the current EU legislation yet to be transposed into Turkish law. The rationale behind this hard stance is that accepting to recognise as a CSR practice a practice non compliant with the EU norms would lower the incentive for companies to progress towards the EU legislation. Although no EU programmes are specifically targeted to support CSR, a large number of them indirectly promote CSR-related objectives (e.g. consumer and health protection, democracy and human rights, education and social policy, environment industrial policies and justice).

#### Box 6: Specific Fields of EU Activity

##### Agriculture / Fisheries/ Veterinary:

A relatively high number of programmes have received funding for aligning Turkish legislation with EC regulations e.g. for organic agriculture, sustainable fisheries, or food safety and the veterinary sector.

##### Consumer and Health Protection:

In March 2005 a programme was launched to help align the legal, institutional and technical aspects of consumer protection regulation with the EU Acquis. Its main aim is to strengthen the legal and institutional capacities and services of the Directorate General for Protection of Consumers and Competition in the Ministry of Industry and Trade.

**Democracy and Human Rights:**

Within this field, a total of eight macro projects and a high number of micro projects have been funded since 2001. Their priority areas have been the protection of human rights, support for measures to combat discrimination, promotion of good governance, freedom of expression and media, improved access to justice, and the fight against torture and impunity.

**Social Policy:**

The most CSR-related EU funded project in this field was a programme to strengthen the capacities of the Child Labour unit within the Ministry of Labour and Social Security in planning, managing, coordinating, monitoring and implementing child labour-related activities.

**Environment:**

The accession process with its consequent demand for economic, environmental, as well as social reforms in compliance with EU legislation is challenging. To date, the EU environmental legislation has only been partly transposed into Turkish law. In support of this effort, until mid-2005, the EU funded a capacity-building programme on the environment. It aimed at accelerating the adoption of the environmental Acquis in Turkey. Its major output has been the establishment of the Turkey Office of the Regional Environmental Centre (REC), which still provides numerous environmental as well as social training activities.

**Financial Control / Competition / Company Law:**

A number of successful projects have been carried out, especially the capacity development of the Capital Market Board, which is working on corporate governance principles, new legislation and procedures. Capital markets legislation compliant with the EU Acquis will soon be adopted.

**Industrial Policy / SME**

Together with KOSGEB and TOBB, the EU financed the establishment of three European-Turkish Business Development Centres (BDCs). The centres provide advisory and training activities in the field of business management, with a focus on SME training needs. Some courses deal with social and environmental concerns through the promotion of European management labels or norms (e.g. EMAS).

**3.3.2 United Nations Development Programme**

Present in 166 countries, the UNDP is the UN’s global development network, a programme that focuses on helping countries build and share solutions to the challenges of the Millennium Development Goals (MDGs). As part of this mission, the UNDP promotes the message that the MDGs and thus sustainable development cannot be achieved without the support of businesses. Therefore, the organisation has developed international programmes aimed at strengthening the contribution of businesses to the MDGs: a commitment that is not dissimilar to support for business’ adoption of CSR approaches and programmes.

In Turkey, the UNDP is expanding its project portfolio significantly with a specific focus on good governance, poverty reduction, energy and the environment. With regards to its local engagement with private businesses, the UNDP is partnering with the Corporate Governance Organisation,

COGAT, the traditional approach of which is based on the organisation of introductory seminars on corporate governance and CSR for the board members of public and large companies. COGAT thus serves as the institutional link for the UNDP to promote better practices within the Turkish business community.

Three programmes are of particular interest in the context of the present study:

1. The UNDP Istanbul Office is the focal point for the **Global Compact in Turkey**. This voluntary international initiative was created by the former UN Secretary General Kofi Annan in 2001. It seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. The Global Compact operates as a network of national organisations. The members, mainly companies, commit themselves to mainstreaming ten CSR principles.

**Box 7: The Global Compact ten principles****Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

**Labour Standards**

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

**Environment**

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

**Anti-Corruption**

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

In Turkey the GC membership is composed of 71 national organisations of which the most recent members are Koç Holding (05/04/2006), the municipality of Beşiktaş (10/01/2007), Sabancı University (29/01/2007) and the Doğu group (15/03/2007). The main activities of the Turkish network are awareness building and networking among the business community on sustainable development in addition to promoting the GC ten principles (see Figure 7). This is accomplished through the organisation of regular seminars and the publication of brochures or leaflets.

2. The UNDP has established a national “**Growing Sustainable Business Initiative**” in Turkey. This international programme aims at facilitating business-led solutions to poverty to advance the Millennium Development Goals (MDGs). It is a platform for companies to engage in pro-poor business activities in developing countries. The GSB mechanism is a UNDP service offered to companies seeking to develop commercially viable business projects with a view to increasing profitability and/or engaging in new markets that benefit the economy and people of developing countries. Within this programme, UNDP agents act as brokers between large companies and the local business com-

munity, especially in rural areas, thus concretely supporting a better contribution of trans-national companies to local development.

3. In 2007, the UNDP launched an EU-funded **regional project to accelerate the implementation of CSR in 8 European countries**: Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovak Republic and Turkey.

“The main objective of the Project is to accelerate the implementation of CSR practices in the new EU region, which is seen as a vehicle for EU harmonisation, improving competitiveness and social cohesion. This is expected to be achieved by comprehensively mapping out the CSR activities and actors, identifying capacity gaps and areas where support to both business and the governments is needed, exchange of experience and good practices, awareness raising and supporting national stakeholders”.

Ms. Lyra Jakuleviciene, Regional Project Leader, UNDP Office Lithuania

The project aims to promote and support the integration of sustainability principles into business strategies. It is expected

ted to contribute to regional cohesion among old and new EU Member States and candidate countries. Business networks in Spain, UK and Germany will also be involved in the project by contributing to exchange of experience and good CSR practices. The project addresses the practices of companies (both local and foreign enterprises), but also intermediaries like business and professional associations, local and national governments, trade unions, academia, non-governmental organisations and the media in project countries.

In Turkey, this 18-month project is run with the support of the CSR Association. It will carry out a context analysis of CSR and promote a multi-stakeholder dialogue to enhance awareness and exchange of good practices for the advancement of CSR.

#### 3.3.3 International Finance Corporation

The International Finance Organisation (IFC) with others (including KfW and EIB) strongly promotes the environmental sector, particularly through credit lines offered to local financial institutions to support investments in the field of renewable energy.

As part of this outlook, it offers environmental training support for bank executives, operational staff and loan officers. The overall objective of this technical support programme is the improvement of the quality and efficiency of the financial sector's procedures and capacities with regard to the proper management of the environmental and social impact of their investments. According to the IFC representative in Istanbul, this technical programme was less successful due to resistance of the Turkish Bankers Association, which, at the time, did not consider environmental impact management a main concern in Turkey and specifically not the responsibility of their members.

At the international level, the World Bank Group defines CSR as "the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development". Activities to promote CSR in developing and emerging countries are oriented towards:

- Public authorities, through the Foreign Investment

Advisory Service (FIAS) which advises governments on public policy roles and instruments they can use to encourage corporate social responsibility; and,

- The private sector (including financial institutions), with the existence of specifically designed technical and financial services to support businesses in mitigating their social impact, realising opportunities, and reducing risks of market exclusion.

It should be noted that while the IFC is one of the important promoters of CSR among international donors, the concept is not yet promoted as such in Turkey. According to the IFC representative in Turkey, at the time of the survey the local IFC team did not have the full capacity to develop all IFC products and services at the country level. However, the organisation expressed interest in participating in a collective initiative for the better promotion of CSR if such a dynamic was created.

#### 3.3.4 Bilateral donors working on CSR

##### *German Agency for Technical Co-operation (GTZ)*

As a member of the Global Compact, GTZ is explicitly committed to the promotion of CSR in almost 60 countries around the world. Internationally, the agency refers to the concept as: "increasingly recognised as the foundation for sustainable corporate management: that is, CSR not as charity but as a strategic competitive advantage". GTZ considers CSR an important issue, because the spectrum of responsible and sustainable corporate policy includes a number of areas relevant to development policy, including among others: human rights, social standards, prevention of HIV/AIDS, consumer protection, climate protection, caring for the environment and the sustainable management of natural resources.

German development cooperation with Turkey dates from the 1960s, and started under the Ankara Agreement that was signed between the European Economic Community (EEC) and Turkey. In Turkey, GTZ mainly focuses its CSR-related activities on the "Roundtable Initiative" in the textile sector as part of a worldwide programme (see Figure 8). A central reason for this is the fact that Turkey is one of the primary suppliers of textiles and garments to Germany. In Turkey, for GTZ, CSR thus mainly refers to social standards and codes of conduct.

#### Box 8: The Turkish Roundtable of Social Standards

The textile and garment sector plays an important role in the Turkish economy contributing 11% to GDP in 2004. Turkey is one of the most important textile suppliers to the European market, and the primary supplier to Germany.

As part of a global programme aimed at improving working conditions in those countries supplying the German retail industry, GTZ has established a partnership with the Foreign Trade Association of the German Retail Industry (AVE) under a commission from the German Federal Ministry for Economic Cooperation and Development (BMZ). AVE member companies have undertaken to uphold an ongoing, sector-specific code of conduct.

Through this PPP project, recognised social standards are to be introduced to supplier companies of the German textile, shoe and toy industries in some 11 countries in Asia and Eastern Europe. The aim is to strengthen the competitiveness of the companies concerned by improving the workforce's living and working conditions. These activities are based on internationally recognised guidelines such as the ILO core labour standards.

Therefore, specific projects were established in spring 2003 in 11 supply countries including Turkey. In the initial phase, some 2,000 supplier companies of the target countries were sensitised to the need for social standards. By the end of 2006, 1,700 production sites had undergone a so-called audit.

Beyond these company-specific activities, GTZ has initiated and coordinated forums, so as to mobilise a wide-scale discussion on social standards in the individual countries. These national roundtables are not only for the AVE and its supplier companies, but include government, union and NGO representatives. In a dialogue process, they provide consultancy to back up ongoing auditing and upgrading measures by the project, but also engage in further-reaching activities seeking to find solutions and new approaches to the long-term implementation of social standards in their country.

The objective is that as part of this process, national actors increasingly assume responsibility for issues such as "ownership" of the roundtables and future process steering, and finally agree to promote a common approach towards the improvement of social standards.

In Turkey, the national roundtable enjoyed wide participation of sector representatives. To date, 14 meetings of the Round Table have been attended regularly by representatives of the following organisations and institutions:

- Trade unions
- Employers' associations
- Public and state organisations
- Further participants

In January 2007, the active promotion of the roundtable by GTZ was brought to a close and a steering committee consisting of members of the roundtable took over the coordination of the meetings. GTZ continues to be present as a guest at the meetings.

Agreed tasks of the Turkish roundtable are:

- **Dialogue and mutual information:** establishing an effective and sustainable dialogue about social standards including all relevant social partners and actors in the Turkish textile sector;
- **Solution finding:** developing solutions for the sector's main deficiencies in terms of compliance with social standards; and,
- **Common outward presentation:** developing an effective, transparent and cooperative understanding on the acceptance and implementation of codes of conduct.

**Agence Française de Développement (AFD)**

As the first bilateral aid agency to become a member of the Global Compact, AFD began working on CSR as a specific concept in 2004. The organisation considers the concept as a powerful means through which one can engage the private sector to actively contribute to public policies for sustainable development. Internationally, AFD group adopted a 2007-2013 strategic plan with the overarching goal of promoting sustainable development. As part of this commitment, AFD endorsed its CSR policy<sup>22</sup> in January 2007.

Agence Française de Développement commenced its activities in Turkey in 2004 and since August 2005 has been represented by its office in Istanbul. Its local mandate is structured around two overarching goals: (i) strengthening the Europe-Turkey partnership; and, (ii) reducing the ecological footprint of Turkey’s economic growth.

AFD is committed to supporting companies and municipali-

ties in their efforts to maximise their contribution to Turkey’s sustainable development. Therefore, AFD finances projects that support carbon free development (renewable energy, energy efficiency), reduce industrial pollution (water sanitation, solid waste management), help balancing regional inequalities and encourage companies and banks’ CSR practices. The present report is part of the AFD commitment to promoting CSR best practices in Turkey and to raising business awareness about this increasingly significant concept.

Since its installation in 2005, AFD has engaged in partnerships with the country’s main public banks (TSKB, Halkbank, TKB) as well as with TEB to establish a €40 million credit line. In 2007, the agency officially started working with municipalities by supporting the building of the public metropolitan transportation system in Istanbul as part of an effort to reduce air pollution in the city.

**Box 9: AFD-TEB partnership promoting SME CSR best practice**

**Background**

- TEB was founded in 1927 and was acquired by the Colakoğlu group in 1981. In February 2005, BNP Paribas acquired 50% of the Colakoğlu group’s subsidiary TEB Mali Yatirimlar (Financial Investment Company), which owns 84.25% of TEB. Colakoğlu group and BNP Paribas have equal representation on the Board of Directors of TEB and they share managerial responsibilities.
- TEB provides corporate, commercial, retail and private banking services via its 202 domestic branches. TEB’s consolidated subsidiaries abroad include a bank in the Netherlands (TEN NV) and its domestic subsidiaries are engaged in asset management, brokerage, leasing, factoring and insurance.
- TEB is a medium-sized bank, ranking 6th in terms of asset size among the privately owned commercial banks in Turkey at the end of March 2007 (steady growth).

**Mission:**

TEB:

- is committed to adding value to all its stakeholders including a select customer portfolio by providing universal quality financial services;
- aspires to ensure customer satisfaction;
- adheres to the best international practice in corporate governance (TEB ranked 7th in EFGI coverage in terms of corporate governance practice (EFG Istanbul securities-equity research report, 9 August 2005); and,
- employs staff with impeccable business ethics that preserve the values of their organisations and are open to innovation.

TEB realises its mission thanks to its shareholders who guard their business principles, responsibilities and employee rights.

<sup>22</sup> The policy document and associated procedures can be downloaded from: [www.afd.fr](http://www.afd.fr)

### CSR performance and activities

TEB is committed to supporting its SME clients' capacities for better management, which includes CSR practices. As part of this strategy, TEB presents itself as a solution partner for SMEs and has developed a number of targeted services such as the TEB Academy (a training programme for SMEs), a 24/7 support line that offers advice to clients, accounting software helping SMEs integrate best accounting practices as well as specific consultancy services and structured loans. With regard to CSR, TEB and AFD joined together to develop specific technical services to SMEs including CSR training and a CSR diagnosis framework that will help company managers develop a corporate CSR action plan, with a special focus on strategic priorities.

TEB contributes actively to raising awareness in the SME community with regards to best management practices. This is done through the TEB KOBİ TV as well as through the development of specific publications and the creation of the Academy Social Responsibility Award.

The TEB-AFD partnership aims at reaching 1000 new SMEs annually and directly supporting 300 of them with CSR-focused technical and financial services.

In the field of social development, TEB is engaged in a micro-credit project together with the UNDP: The 'Altın Bilezik' (Golden Bracelet) project will provide micro-credit to young entrepreneurs between the ages of 18 and 35. The project is one of the first in the world specifically targeting youth. Varol Civil, TEB general director said "TEB sees the project as a debt it should repay to Turkey".

## 3.4 Civil society organisations

Civil society as a whole, and NGOs in particular, have an increasing influence on trends in corporate behaviour in terms of social and environmental concerns. Although there are a large number of NGOs in Turkey, they do not yet fully embrace their role as development agents for the country. Ararat (2003) argues that this is an effect of the country's recent history with three military coups in 1960, 1971 and 1980 that undermined the development of a strong civil society, leading to a situation whereby many Turkish NGOs serve more as social clubs. Nevertheless, this trend is apparently reversing and a growing influence of NGOs on CSR can be observed.

Traditionally, social and environmental NGOs are recipients of regular corporate donations in fields such as education or the environment. This generally does not influence the CSR behaviour of sponsoring companies however.

More recently, a number of large private projects have faced severe criticism from civil society for their social and environmental weaknesses. Two particular projects were the object of broad media coverage that resulted in changes in the way the projects have been executed:

- A report of Amnesty International on the Baku-Tbilisi-Ceyhan oil pipeline project forced the consortium led by British Petroleum to respond and act against claims. These were raised especially in the area of human rights and environmental damage. As a result, the consortium launched a website explaining its strategy and action plans to reduce the impact of the project on communities and the environment<sup>23</sup>.
- Greenpeace supported local groups from the village of Bergama against Eurogold. The company wanted to expand a gold mining project using cyanide, which would severely poison the soil and limit future opportunities for agriculture and create potential sanitary problems. In March 2006, the villagers won a court case in the European Court of Human Rights against the Turkish government and can now claim compensation.

Another way in which NGOs can work towards better corporate practices is by building active partnerships with

<sup>23</sup> More information:

[www.caspiadevelopmentandexport.com/ASP/PeopleAndEnvironment.asp](http://www.caspiadevelopmentandexport.com/ASP/PeopleAndEnvironment.asp)

companies around CSR-related issues. WWF provides a good example of this type of strategy. As one of the most important conservation organisations worldwide, WWF is active in Turkey on many subjects including the protection of freshwater as well as marine and coastal resources and habitats with a special focus on important plant areas in Turkey.

As part of the marine and coast protection programme, specific projects have been developed such as the Ecoregional Conservation and Responsible Tourism project on the Lycian Coast. The project was launched in May 2002 and aims at protecting the 200 km shoreline between Antalya and Patara. The main strategy is for the organisation to promote the responsible / sustainable tourism among stakehol-

ders involved in the development of tourism in the area, including large tour operators. Another example of this strategy is the partnership built some years ago with the leading construction company, Lafarge. Through this partnership, WWF improved the company's performances and capacities with regards to quarry rehabilitation.

While NGO-business partnerships are not yet fully established in Turkey, they could provide a means to strengthen CSR practices in the country.

Lastly, NGOs can serve as vectors for better information and networking. In Turkey, the Regional Environmental Center for Central and Eastern Europe (REC) provides a very successful example of this contribution of civil society to CSR development.

#### Box 10: Regional Environmental Center for Central and Eastern Europe

REC was founded in 1990 in Budapest as a joint venture between the US, EU and Hungarian governments. It was officially established in Turkey in 2004. REC is the national focal point for climate change in Turkey. CSR is seen as one tool to protect the environment.

##### CSR relevant activities:

REC's activities focus on offering support during the EU accession process in the field of the environment and are divided into four areas:

- *Capacity Building Programmes* with seminars being held for NGOs and local authorities, as well as environmental journalists;
- *Environmental Information Systems* with two types of services: environmental information with exchange of services and publications. Timely and reliable information is provided on EU accession, civil society development and public participation / public awareness as well as on CSR;
- *Grant Programmes* providing support in four different categories: Small grants programme for NGOs, classical and thematic national grants programme for NGOs, and national grants programme for local administrations; and,
- *Special Programmes*: providing assistance for EU environmental Acquis compliance, climate change initiatives, and *business awards for the environment*.

A sub-programme specifically designed for the private sector actively promotes CSR. REC established a platform of companies and developed a CSR database to promote CSR practices of Turkish companies. The aim is to build partnerships for the protection of the environment and to achieve sustainable development. The database will have countrywide outreach to establish a network that enables interested parties to communicate with each other. A seminar was organised in June 2005 together with TUSIAD to further increase awareness on the topic.

The database will be fed through a regular survey process, based on questionnaires sent to companies on their CSR practices. The questionnaire is structured around 15 questions, mainly focused on environment and occupational health and safety. Again here, the approach is sectional with a social focus.

## 4. Moving forward: promoting CSR in Turkey

### 4.1 CSR drivers in Turkey

In essence, the drivers of CSR are a mix of incentives and risks that potentially motivate companies to improve their environmental, social and governance standards. CSR drivers are thus closely linked to strategic factors that determine managers' daily decisions. They are associated either with the business anticipating or responding to the potentially negative impact of insufficient performances on their profitability or image. Or, they are associated with the search for future profitability or increase in brand reputation as the result of a specific CSR-compliant best practice or product. The research literature on the subject is abundant in identifying how such drivers can be classified.

For the purpose of this analysis of CSR drivers in Turkey, the authors have identified internal drivers (internal pressures on business managers, which are strongly linked with the cultural determinants of managers' personal values) and external drivers (*i.e.* pressures from competitors, investors, consumers, and regulatory pressures from governments and non-governmental organisations)<sup>24</sup>.

The following sections present a synthesis of previously presented facts, case studies and stakeholder views with regard to CSR. The idea of such a presentation is to provide decision-makers with a framework around which strategies and action plans could be built to efficiently promote CSR among Turkish businesses.

#### 4.1.1 Internal Drivers

- ▶ **“Good neighbour” behaviour and personal contributions to employees and their families as well as to local society are important elements of Turkish business culture.** While presenting a potential driver for CSR practices, this tradition will need to be expan-

ded to encompass the real impact of businesses on the environment and society. Business people will have to think beyond their personal relations and beliefs to accept responsibility for their companies' relationships towards society at large.

- ▶ **Quality is important in the corporate conception of ethics as reflected in the strong quality movement of Turkey:** the tradition of quality in Turkey is strong, attesting to the enormous efforts of the Turkish Quality Association and evidenced by the pervasiveness of references to “quality” in Turkish corporate mission statements. Now as this commonly refers to the new EFQM standards, companies will naturally come to use the CSR framework presented in the EFQM excellence model. This was built on key elements of the CSR concept *i.e.* stakeholder consultation and the three dimensions of sustainability.

#### 4.1.2 External Drivers

- ▶ **The EU partnership is a key regulatory driver for CSR in Turkey:** The impact of the ongoing EU accession process on the Turkish regulatory framework is clear. As already illustrated, it will contribute to building a better enabling environment for CSR through the integration of sustainability principles in all sectional policies as well as by advancing social dialogue and aiding the eventual emergence of a stronger civil society in Turkey.
- ▶ **Pressure from foreign companies sourcing or operating in Turkey:** OECD companies are under increa-

<sup>24</sup> This methodology follows that of Haigh and Jones (2003) *The Drivers of Corporate Social Responsibility*, Ashridge Business School.

sing pressure from international NGOs and their national citizens/customers to conform to OECD Guidelines for Multinational Enterprises in all countries in which they operate. As a result, the CSR practices of companies sourcing and operating in Turkey will eventually be extended and will affect those Turkish businesses and organisations integrated into their supply chains. This movement has already begun in the textile sector where the German government, together with its importing companies, supports the development of national social standards derived from International Labour Organisation guidelines.

- ▶ **Growing awareness in the financial sector with the entry of foreign capital of global banks:** As part of their growing CSR commitment, most consumer banks have adopted the Equator Principles as a benchmark for managing the social and environmental impact of their investments. This has led to the development of what is commonly called “sustainability finance” through specific credit lines to environmental (e.g. carbon finance), social projects (e.g. micro-credit) or socially respon-

sible investments. As such banks obtain shares in Turkish banks, it can be expected that CSR will evolve, and in turn expose the business community to more stringent due diligence procedures to access credit. One can also hope that this dynamic will engage local banks in developing better technical services for clients. The current positioning of TEB provides a good example of the leading edge of practice in Turkey today.

- ▶ **New markets arising as an answer to the growing need to actively manage environmental degradation:** Some European countries are good examples of how the ecological and social awareness developed during the 1960s and 1970s initiated technical innovations and drove the emergence of new and promising markets and services in sectors such as eco-building, renewable energy, fair trade etc. As environmental and social issues arise in all emerging economies, a similar trend can be expected. The analysis shows that Turkey has the potential resources to become actively involved in markets such as eco-tourism, organic agriculture and textiles as well as renewable energy and water sanitation.

## 4.2 Key Constraints

### 4.2.1 Internal constraints

- ▶ **The current understanding of CSR in Turkey is still restricted to philanthropic or sponsoring activities:** This approach does not refer explicitly to the broad impact companies have on their environment and society. Moreover, if stakeholders are recognised at all, this is mostly limited to employees. This is related to the absence of a culture of social dialogue, as pointed out by successive accession progress reports.
- ▶ **Most Turkish business managers, particularly in the SME sector, have insufficient knowledge of the relationship between CSR and business performance:** Only a few companies recognise that the integration of sustainability issues into their business strategies could offer a path to long-term growth and prosperity. The situation is also related to the low level of pressure from civil society or customers for responsible behaviour, or to the low level of media interest in such issues. Moreover, there is a general **lack of awareness of suc-**

**cessful business cases and ‘best practice’ examples** that impede the promotion of CSR in Turkey. To date, no one has been able to offer irrefutable evidence of ‘a cause and effect’ relationship between CSR performance and business success.

### 4.2.2 External constraints

- ▶ **The lack of a coherent and supportive strategy by public authorities:** The level of awareness about CSR within governmental institutions appears to be rather low, with the exception of certain individuals. No coherent strategy (economic incentives, training services, soft regulation tools such as labelling or others) has been developed to create an enabling environment. Generally speaking, the common internationally accepted idea that private companies can be active agents of public policy is not yet pervasive in Turkey. This results in a low level of exchange between public and private organisations that hampers the identification of potential

collaboration opportunities in CSR-related practices.

- ▶ **Lack of expertise to service/support companies in their efforts to integrate CSR:** Throughout the course of their work on CSR issues in Turkey, the authors experienced first-hand the low level of expertise on the concept. Whether they look in the private sector (consultancies, professional organisations), in civil society (REC is an exception in this field) or in the public arena (universities and research centres), companies have difficulty finding support to identify opportunities, develop strategies, increase understanding, offer training for employees or simply locate trained agents in CSR. The creation of the Corporate Governance Forum of Turkey and the launch of courses on CSR in Sabanci University might prove a step forward.
- ▶ **Civil society is still not sufficiently developed to exert significant pressure:** Although a large number of NGOs exist in Turkey, most do not yet fully embrace their roles as lobbyists and development agents for the country. The military coups of 1960, 1971 and 1980 also discouraged the development of a strong civil society. Nevertheless, most recently, a slightly growing influence of NGOs on CSR can be observed. Currently, only REC, TBCSD, WWF (in the tourism sector), and the CSR Association offer certain activities related to CSR, but their way of working is more oriented toward partnerships than towards campaigning. On specific issues Greenpeace or Amnesty International have also begun

working on CSR issues with some success.

- ▶ **The structure of the media is not conducive to CSR:** In many countries, the media can be a strong driver in social and environmental development, drawing public attention to failures and grievances and thus forming public opinion. In Turkey, increasing monopolisation has weakened press independence, with a few large media groups dominating the press and television.
- ▶ **Lack of a harmonised CSR approach and joint initiatives of international organisations in Turkey:** As pointed out in the present report, while some international organisations promote CSR in Turkey, they each act with a specific bias related to their objectives and missions. Even when it comes to defining the concept, each employs a different vocabulary. International organisations could be a driving force for connecting local stakeholders to the international and European CSR movement, but lack of coordination and consistency in their messages hamper this opportunity. Thus far, none of the numerous CSR conferences, initiatives, or programmes that have been held has resulted in a coordinated effort. In this context, there is a clear need for better coordination and harmonisation if international organisations want to deliver a clear and efficient signal on CSR in Turkey. Discussions held during the completion of this study indicated a real willingness within the mentioned organisations (Section 5.3) to make progress in that direction.

### 4.3 Steps towards progress

The emphasis on voluntary approaches to CSR should not impede the involvement of public authorities in promoting responsible business practices. The authors of the present study strongly believe that the strength and pervasiveness of CSR on the national level will be the outcome of a public-private partnership in which responsibilities are clearly defined and complementarities are recognised as opportunities. This should be especially true in a country like Turkey where political life has been influenced by a strong and central state.

The following paragraphs represent an attempt to identify a few concrete directions for progress. It makes no claim to

being exhaustive but rather hopes to contribute to the CSR debate that will eventually emerge in the country.

#### 4.3.1 Public authorities and organisations could play an active role in the promotion of CSR

- ▶ First, their role in *harmonisation, implementation and enforcement of the EC Acquis* is in itself of utmost importance as Turkey's accession process will facilitate the development of CSR by leading to greater alignment on EU commercial, environmental and social legislation. Relatively sector-focused for the time being, this wide reform process would certainly gain an advan-

tage by taking into account specific European CSR initiatives or the parallel *development of a national strategy towards sustainable development*. This would potentially improve transversal dialogue and cooperation among ministries. It would also bolster harmonisation between existing initiatives (Capital Market Board, MLSS and WIB, etc.) as well as optimisation of synergies between sectional policies.

- ▶ Moreover, by different means, public authorities could support *improved dialogue between the public and private sectors*. This could be developed at the regional or local level through the involvement of municipalities with organisations such as MUSIAD, TUSIAD, ABIGEM and the chambers of commerce – a collaboration which already exists in other fields. This type of partnership could advance an improved regulatory framework for labour and social security at the same time as building a better fit between educational policies and business needs.
- ▶ Based on examples in other European countries, the collaboration between public and private organisations could lead to a better *collective response to social and environmental issues arising at the local level, for example the implementation of “sustainable industrial zoning”*. This approach would be particularly appropriate for Turkey where the productive sector is highly atomised and composed of thousands of micro and small companies. Sustainable industrialisation is a process of local development improving the synergies between public policies (urbanisation, transportation frameworks, solid waste collection and treatment, water sanitation and treatment, professional training, etc.) with the private strategies of locally installed companies (equipment, employment, employees and merchandise transportation, etc.) with the aim of creating an economically, socially and environmentally viable local environment for neighbouring communities. Industrial sustainability requires solutions at various levels: enterprise (e.g. eco-efficiency), between enterprises (e.g. eco-industrial parks, product life cycle, responsible care), and, regional and global (e.g. budgets and cycles for dematerialisation and de-carbonisation).
- ▶ In addition, in many countries (e.g. UK, Netherlands, Germany), public authorities have been a central pro-

motor of the development of environmental and social services and products through the introduction of specific CSR requirements into public procurement policies. Moreover, public incentives and soft regulation tools have been developed to give such innovative products and services more market visibility and competitive advantage. The commitment of Turkish public authorities in such a direction would certainly support a rapid uptake of CSR in the country.

- ▶ Lastly, one could argue that public authorities would support the rise of responsible business practices by *encouraging a more active civil society*, a move that would in return improve media awareness campaigns about issues such as social questions and environmental degradation and their associated risks for the sustainable future of Turkish society.

#### **4.3.2 International organisations should engage in better coordination and collaboration**

The international organisations in Turkey are at the frontier of those discussions about CSR that made it a central concept in all debates regarding the role of the private sector in responding to the challenge of global sustainability. While the concept is not yet understood in all its facets in the country, the situation analysis indicates that it would be an efficient vehicle to help meet national challenges. International organisations therefore are very well placed to support the promotion of CSR in Turkey.

On 2 March 2005, the Paris Declaration on Aid Effectiveness was endorsed, committing a number of countries and public aid organisations to continue to increase efforts at harmonisation, alignment and managing aid to achieve the Millennium Development Goals (OECD High Level Forum, 2005). However, the context analysis carried out here clearly indicates that there is a real lack of coordination and harmonisation in Turkey. Complementarities and synergies could certainly be developed that would improve the outreach and efficiency of existing programmes.

Efforts in that direction could be promoted through a donor roundtable on CSR where discussions could promote:

- ▶ Better synergies between international organisations' CSR initiatives and public policy priorities;
- ▶ Harmonisation of CSR-related vocabulary used by the

different organisations, as well as the emergence of a consensual definition of the concept in the Turkish context, while at the same time supporting individually designed concepts of companies within this framework.

This work would be of particular value in initiatives such as the development of sector-based standards, the value of which lies in their wide recognition by all types of stakeholders, as well as in their compliance with internationally accepted best practice;

- ▶ Networking and experience as well as an exchange of lessons learned to avoid duplication of work or contradictory approaches, which would moreover constitute a central warehouse for case studies, and best practice examples. This information is currently unavailable to companies;

- ▶ Collaboration between different organisations to optimise complementarities of knowledge, capacities and financial means in the promotion of CSR practices and to support Turkish companies;
- ▶ More interaction between initiatives and debates in Turkey with their equivalents in other countries or at the international level. This would be of particular use for market-based approaches as illustrated by the case of GTZ in the textile sector. Here one of the most interesting aspects of their programme is the creation of concrete market links between German importers and Turkish producers. The same can be said of the TEB-AFD approach bolstered by the sustainability team and the expertise of BNP-Paribas in France (a principal shareholder of TEB).

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