“The Evolution of the Ukrainian Corporate Citizen”

Remarks by

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INTRO

Good afternoon. It's my pleasure to be here today and participate in the discussion about Corporate Citizenship - particularly since this is an area that I feel passionate about, and have been working in for much of my career.

In my presentation, I'd like to address a number of points

- Defining CSR or corporate citizenship,
- Providing an international and Ukraine context and rationale for it
- And to share some examples of partnership programs in conjunction with USAID through our Global Development Alliance

In addition, I'd like to touch on cross sector partnerships. Why? Because it is often the integral component to the successful implementation and impact of external CSR programs, initiated by business, but carried out in close collaboration with NGOs and government.

USAID has been working in Ukraine for over 15 years. For those of you who don't know USAID, it is the principal US Agency for development and humanitarian assistance. Our objective in Ukraine is both simple and complex. Simply stated: our objective is to help Ukraine achieve European integration and with this a steady path of economic growth - not surprisingly, mirroring discussions from earlier in the conference. Within this context, a number of our programs have helped to address and support the growth of Corporate Social Responsibility in Ukraine. And thru our programs we are working to encourage better and more responsible corporate citizenship.

Defining CSR

If you're confused about corporate citizenship, Corporate responsibility or CSR – you're not alone… just what is it … it is a frequently asked question?

There are clearly a variety of interpretations to this phrase … and to further complicate matters, a variety of terms that are often used interchangeably to talk about CSR – including business ethics, corporate citizenship, corporate accountability, corporate governance and sustainability.

Different organizations have framed different definitions. For me – whether we talk about CSR or corporate citizenship - it's about how companies manage their businesses to produce an overall positive impact on society. It's not a fad, and it's not just about charity, although this is an important element.

Business for Social Responsibility (or BSR – one of the leading membership organizations working in the area of CSR and based in the U.S.) defines corporate social responsibility as 'achieving commercial success in ways that honor ethical values and respect people, communities and the natural environment. It also means addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders. In its simplest terms it is "what you do, how you do it and when and what you say.

In this sense, CSR is viewed as a comprehensive set of policies, practices and programs that are integrated into business operations, supply chains, and decision-making processes through the company - wherever the company does business – and includes responsibility for current and past actions as well as future impacts. It's about walking the talk …

The issues that represent a company's CSR focus vary by business, by size, by sector, and even by geographic region. In addition to ethics, CSR typically includes issues related to community investment, environment, governance, human rights, the 'market place' and workplace.

Why CSR?

So … Why should companies care about their social and environmental responsibilities?

The business case for CSR argues that a responsible attitude toward society and the environment can make a business more competitive, more resilient to shocks, and more likely to attract and hold both consumers and the best employees.

In a world where socially responsible investment is growing, it can also attract investment and save businesses money in dealing with regulators, banks and insurers.

Some company's also feel that CSR is a significant part of their risk management and reputation strategy. In a world where brand value and reputation are increasingly seen as a company's most valuable asset, CSR can build the loyalty and trust that ensure a bright sustainable future.

There is one thing for sure; the pressure on business to play a role in social issues will continue to grow. And as Ukraine's private sector plays an increasing role in the global market place, it too will face growing demands to be more responsible, more transparent and more accountable. These demands are not only coming from the international media, but from vocal groups of consumers, employers, regulators, investors and the general public.

There is growing pressure on companies to innovate and leverage their core competencies to help find solutions to social, environmental and economic problems – such as lack of access to medicines, water and sanitation, energy, digital technology, credit and education.

In short, business is being called upon to be a 'force for good' while remaining competitive and profitable.

Ukraine is at the cusp of major foreign investment and as such will be expected to be in full harmony with global norms of good corporate citizenship.

The need for partnership

But, experience suggests that if action by business is to be sustainable and scalable, and achieved in a way that reduces the exposure and shares the responsibility, then collective action by business, through transparent partnerships, is vital.

According to the United Nations Foundation: "Public private partnerships – or alliances - are not philanthropic or donor-recipient relationships – such as one time donations or collaborations that fail to draw on the core competencies of each party.

True public private partnerships are about shared agendas, combined resources, risks, rewards and linkages that can magnify scale.

This is USAID's approach to public – private alliances through our Global Development Alliance. There is a fact sheet on your chairs and at the front desk, which gives further background on this as well as some of the opportunities for partnerships, which exist today.

Briefly, the Global Development Alliance was launched in 2001. Through it, USAID is changing the way we provide assistance because we recognize that partnering with the private sector and leveraging crucial resources increases the efficiency, effectiveness and reach of development programs in all areas.

It acknowledges that there are shared interests and goals between donors - the public sector, private sector, civil society, and development organizations for:

- Stable societies
- Income generation which equates to more jobs
- An active and successful local entrepreneurial sector, and
- Healthy and educated populations.

It reflects USAID's priority for innovative approaches to development to deepen the impact and sustainability of our own programs and others.

It is also a reflection of changes in the source of development assistance where historically 70% of investment came from government and 30% from the private sector. Today roughly 70% is from private sector, 30% from government.

In our own outreach we want to acknowledge and tap into the strengths that are unique to each of these sectors.

- Companies bring employment, knowledge, technical skills and expertise, management systems, human and financial resource, distribution networks etc. ,

- Civil society – NGOs, charities and other non-profits – bring their network and the ability to mobilize communities, providing relevance to local need, and often are the ones that implement and monitor programs

- The public sector - governments and donors – are increasingly playing a

brokering role, as well as providing strategic coordination, resources, policy advice, technical assistance, capacity building and training, as well as information sharing and dissemination.

International context

Internationally, over the past two decades we have witnessed a dramatic growth in the number, diversity and reach of new forms of public-private partnership, cross-sector alliances and virtual networks. These range from multi-million dollar transnational coalitions and collaborative relationships along global supply chains to millions of low budget community-based initiatives. Many are a response to complex public problems and systemic challenges that are beyond the capacity and resources of any one sector.

The partnership and alliances that are evolving are mobilizing new players and resources for international development. They are also spearheading a new era of technical, financial and institutional innovation. They include efforts to tackle climate change, protect human rights, improve working conditions, overcome corruption, resolve conflict or respond more effectively too humanitarian disasters.

In some cases, partnerships are led or catalyzed by governments and official donors operating in non-traditional ways – like USAID's Global Development Alliance. In others, they are being driven by a combination of markets, technology, corporate responsibility initiatives, social enterprise, strategic philanthropy, privately–funded research, celebrity status and civic activism. And, in almost all cases, they involve new types of cooperation and collective action across the traditional boundaries of public, private and civil society sectors.

There can be little doubt that cross-sector partnerships, alliances and networks have become an increasingly influential feature of the international development landscape. In fact, *it is difficult to imagine a return to approaches that fail to harness the skills and resources of different sectors. When such partnerships are effective they can help to achieve greater efficiency, increase legitimacy, and to improve the leverage and impact of development efforts.*

CSR in Ukraine

In Ukraine, as in other transitioning countries, the ability to mobilize internal resources for development is essential to sustaining its peaceful, democratic transition and to fueling continued economic growth.

When the Institute for Sustainable Communities (working on a USAID project) began to look into fostering corporate participation in 2003, we discovered that the perception that Ukrainian businesses were not giving was inaccurate. Studies found that small to large businesses had been contributing to various causes, but were doing so quietly for a number of reasons, and on an adhoc rather than strategic basis.

In 2004, USAID and ISC teamed up with the American Chamber of Commerce to provide matching grants to charities, social service organizations and social enterprises throughout Ukraine.

In 2005, this partnership was formalized as the Ukrainian Fund for Corporate Citizenship, enabling members of the business community in Ukraine to donate to causes that are important to them and to demonstrate the vital role that corporations can and should play in promoting corporate social responsibility within the larger Ukrainian community.

The Ukrainian Fund for Corporate Citizenship created a ground breaking program to support the development of social entrepreneurship in Ukraine. Helping socially conscious entrepreneurs and nonprofits to create a social purpose business was a great draw for businesspeople who instinctively understood the power of helping nonprofits expand their impact while increasing their financial self-sufficiency.

Corporate philanthropy further gained momentum with the emergence of two funds established by business leaders – the Fund for the Development of Ukraine founded in 2005 and the Victor Pinchuk Foundation, founded in 2006.

As CSR gained ground, business began to formalize their programs, entering into partnerships with community service organizations and making their giving more transparent. The larger context encouraged Ukrainian businesses to embrace globally accepted best practice. For example, ISC helped the Public Relations League of Ukraine to develop and publish guidelines for social reporting in cooperation with its members.

Another example is USAIDs Global Development Alliance with ISC, the American Chamber of Commerce, NIKO Trade House, Avon Cosmetics, The Charles Mott Foundation and SUAL - bringing major organizations and leading businesses together to promote good practices and transparency in corporate philanthropy and corporate responsibility.

Philanthropy is traditionally only the beginning of a company's journey. This was reinforced by a UN study of employers in 2005, which revealed that:

- Some 65.5% of companies polled believed CSR meant taking measures to improve the working conditions of employees,
- 63.2% believed it was about staff development and training,
- 56% said CSR was about charitable contributions to the community and
- 49.5% believed CSR meant the ethical treatment of customers.

A more recent survey by Ukraine Mobile Communication asked the public to define aspects of CSR –

- 83.5% of respondents said it was 'the responsibility of companies to engage with society and consumers in social, economic and ecological spheres.
- 78.7% said it included company responsibility to employees,
- 61.9 % believed it involved following state legislations.

So pressure for companies to be 'engines for good' is coming to Ukraine – both from the population and from the global business community.

While the concept of CSR is still relatively new in Ukraine, the strong economic growth over the recent years and the inflow of foreign investments into the national economy has provided an enabling environment for corporate growth and qualitative changes in the culture of business.

However, the business community has also sited significant challenges to its continued development of CSR. For instance,

- uncertainty in fiscal laws and discretionary practices of tax authorities
- the lack of government support such as tax incentives for CSR activities and charitable donations
- confusion around the law on social advertising

- as well as the need to address the range of attitudes in the wider community ranging from skepticism to indifference.

As the country moves to a market economy and democratic society - one of the priorities for Ukraine is to build a platform for the dialogue between the government, business and civil society, and to address some of the issues already mentioned.

USAID's experience

What we see now is that Ukrainian businesses have begun to step into the space of international development programs by providing financial and other support to meet social needs.

For instance, USAID recently signed an MOU with the Foundation for the Development of Ukraine to work together to eradicate TB in Ukraine.

Another example is USAID's MOU with DTEK in an innovative partnership to encourage economic development in 7 cities in Eastern Ukraine, helping to build the capacity of regional authorities in long term strategic planning.

In Alchevsk, we signed an MOU with the Mayor and the International Union of Donbas for a comprehensive economic and community development initiative entitled "Partnership for the Future of Alchevsk. It's the most comprehensive USAID public-private partnership in Ukraine to date. As its contribution, IUD created a $3 million Alchevsk Development Fund. USAID will work with the municipalities to support the development of local strategic plans and conditions that will stimulate foreign direct investment, as well as communal reform, civil society development and municipal budget reform. Longer-term we jointly expect to broaden our efforts to include access to credit and healthcare initiatives.

Delivering change together is essential. Partnership and cross-sector collaboration is key if we are to ensure imaginative, coherent and sustainable initiatives, which can and will change society. CSR should be as much involved with economic development as with social welfare. It should be about how a company behaves and interacts with society.

In summary, there is every indication that cross-sector partnerships are here to stay, and that companies will be increasingly called upon to act as

responsible corporate citizens. The development challenges are too great and complex, and the resources and capacities for tackling them too dispersed among different sectors, for any one sector to have the necessary answers, capabilities or legitimacy to find solutions on their own.

Governments must continue to play a central and accountable role, but business and civil society are likely to be increasingly important development actors and partners.

If cross-sector partnerships can be made to work, such partnerships can be a powerful force for change, and they merit increased support and investment from leaders in all sectors.

Thank you for your time.

(Appendices follow with a publications and website links)

Resource documents

1. UNDP: Unleashing Entrepreneurship: Making Business Work for the Poor (www.undp.org)
2. DFID: Working with the private sector to eliminate poverty (www.difid.gov.uk)
3. The Global Compact: Business Unusual: Facilitating United Nations Reform through Partnerships (www.unglobalcompact.org)
4. Sustainability: Gearing Up: From corporate responsibility to good governance and scalable solutions; also 'The 21st Century NGO – in the market for change (www.sustainability.com)
5. The Conference Board: Corporate Citizenship in the new Century: accountability, transparency and global stakeholder engagement (www.conference-board.org/expertise/citizenship.cfm)
6. Edelman, Harvard University and IBLF: Business and International Development: Opportunities, Responsibilities and Expectations (check the IBLF site)
7. From the International Business Leaders Forum (www.iblf.org) *there are many more publications than those listed here http://www.iblf.org/resources/Publications.jsp*

    - Partnership Matters http://www.iblf.org/docs/PartnershipMatters3.pdf
    - Economic Multipliers: Revisiting the core responsibility and contribution of business to development http://www.iblf.org/docs/EconomicMultipliers.pdf
    - The Buck Stops Where? Managing the boundaries of business engagement in global development challenges http://www.iblf.org/docs/BuckStopsWhere.pdf
    - Business and the Millennium Development Goals: A framework for action http://www.iblf.org/docs/MDG32pp.pdf
    - The Partnering toolbook http://www.iblf.org/docs/PartnershipMatters3.pdf
    - Responding to the leadership challenge: findings of a CEO survey on global corporate citizenship http://www.iblf.org/docs/WEFCEOSurvey.pdf

Reference websites

- USAID Global Development Alliance http://www.usaid.gov/our_work/global_partnerships/gda/
- Business for social Responsibility – www.bsr.org
- Business in the Community – www.bitc.org.uk
- The Center for Corporate Citizenship at Boston College – www.bc.edu/bc_org/avp/csom/ccc
- The Corporate Citizenship company – www.corporate-citizenship.co.uk
- CSR Europe – www.csreurope.org
- The World Business Council for Sustainable Development – www.wbcsd.org
- Committee to Encourage Corporate Philanthropy – www.corphilanthropy.org
- CSR Newswire - www.CSRwire.com
- Ethical corporation – www.ethicalcorp.com
- The World Economic Forum - http://www.weforum.org/
- Inter-American Development Bank - http://www.iadb.org/csramericas/iaccsr_home.html