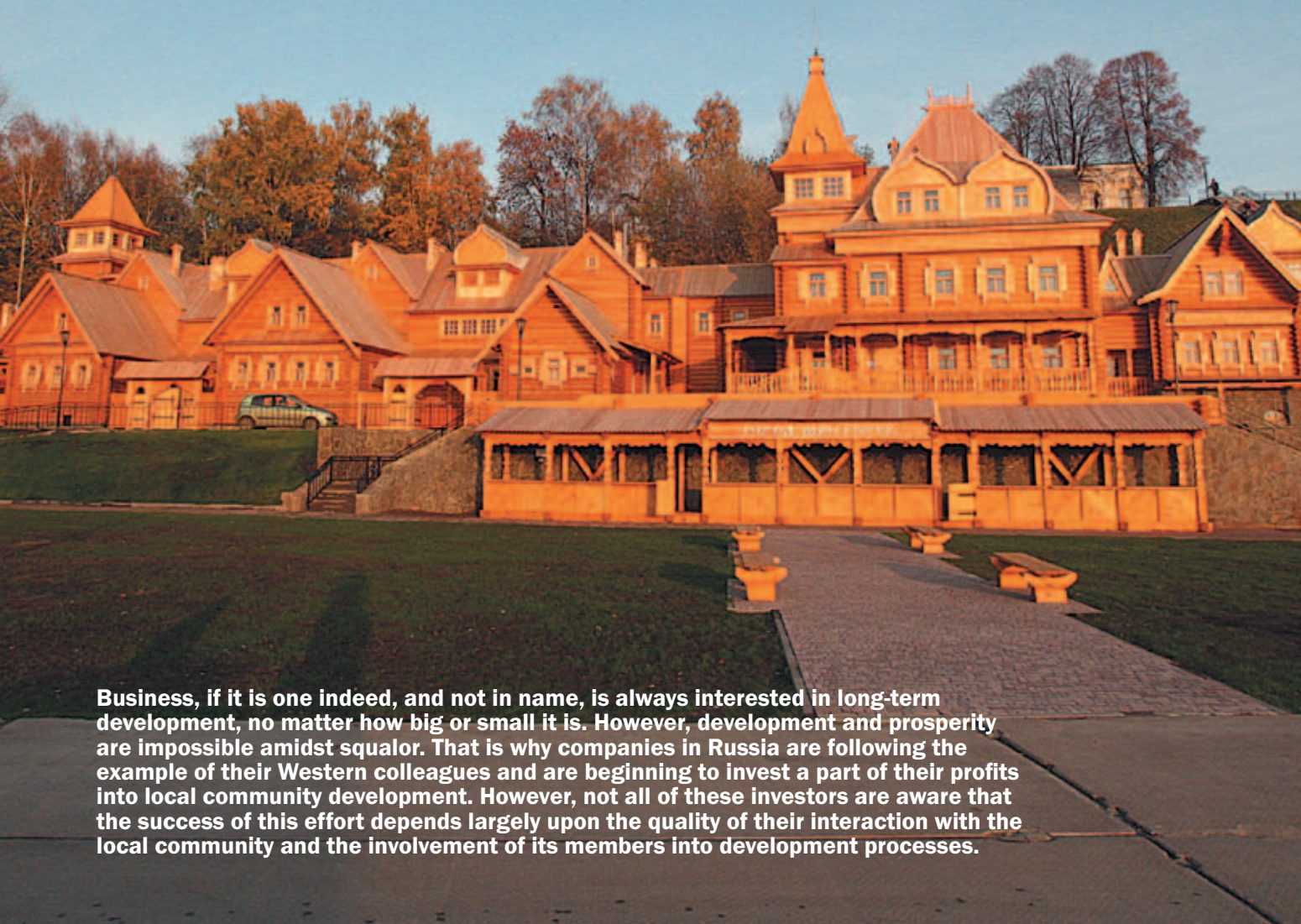


ON THE WAY TO RECOVERY

SVETLANA GROMAKOVA



Business, if it is one indeed, and not in name, is always interested in long-term development, no matter how big or small it is. However, development and prosperity are impossible amidst squalor. That is why companies in Russia are following the example of their Western colleagues and are beginning to invest a part of their profits into local community development. However, not all of these investors are aware that the success of this effort depends largely upon the quality of their interaction with the local community and the involvement of its members into development processes.

In modern society, Marx's famous thesis that «existence determines consciousness» has ceased to be as undisputable as before. The present level of social consciousness is such that it is quite capable of becoming a determinant factor of existence. Unfortunately, this does not happen as often as it could have. It is not uncommon that even in large regional capitals in Russia, people go on living in conditions, with which they are

utterly dissatisfied, only because they are used to thinking that nothing depends upon them. To say nothing of small municipalities, which have much less resources available for development. These obsolete notions, which are quite widespread in our country, are balking such processes as promoting business initiative, increasing civic awareness, and developing civil society — which the leaders of our state have been repeatedly asking us to join.

However, as experience has shown, total passivity is not our final diagnosis. With only a slight prompting in the right direction and a little help with resources, communities become ready to remove mountains. In any case, this is the point of view of Oleg Fokin, executive director of the Fund for Sustainable Development (FSD). I have no reason to doubt what he says, because for almost fifteen years FSD has been, in essence, concerned with supporting local initiatives aimed at improving life in communities in a broad range of areas – from resource and energy saving and improving the quality of environmental education to most simple mini projects of modernizing libraries, community centers and children's recreation facilities and other activities that people find needed and useful. However, to lend support to an

initiative it first has to be awakened. This is the primary goal, because while communities are sleeping, there is no need in development, especially sustainable that is integrated and long lasting.

«During our work, we have come to the conclusion that our efforts are most needed on a community level, in small towns and settlements, in which the majority of Russia's population lives today, and where the real environmental, economic and social concerns are concentrated,» Oleg Fokin tells us. «All FSD's programs, which are specifically tuned to this municipal level, are targeted toward motivating the human potential. To move in this direction, it is enough to only slightly assist those, who have already come up with constructive ideas: we help them to transform these ideas into clearly formulated project proposals and make sure that the best of these project are realized in practice.»

THE BUSY LIFE OF SLEEPY TOWNS

FSD's score of accomplished projects is more than 600, with the total cost exceeding \$ 14 million. In 2010, the Fund will complete a large four-year grant effort – Community Development Support Program (CDSP) – that includes 119 competitive projects carried out in 50 municipalities in 15 regions of the Russian Federation. The Russian Far East and Northern Caucasus, which are the most problematic areas of our country, were the priority regions of this Program. There is no need to include the long list of CDSP projects in this article, but it is worthwhile mentioning

its key achievements: new jobs were created in places where it seemed that nothing at all could have been done; people began to realize that conditions in which they live depend on them more than on anyone else; and, most importantly, the frequently discussed interaction among government, business and public (which so far cannot be attained at higher levels) does evolve and develop in the process of project activities in small communities.

This Program was funded by the United States Agency for International Development (USAID), which granted \$ 6. 15 million for its implementation and which has been FSD's partners for over 10 years. The Fund is now working on the USAID funded Amur Initiative Program that involves putting in place a water quality public monitoring system in communities located along the Amur River in Khabarovsk Krai. For example, under this Program, as a result of an overhaul of the water wells of Osinovorechensky Water Inlet, the local communities are now being supplied with clean drinking water that meets SanPiN sanitary standards by turbidity, organoleptic properties and taste. The overall outcome of projects implemented in the framework of the Amur Initiative Program in 2007–2009 in five municipal districts is that over 150,000 rural residents, who in the past were compelled to use contaminated river water, now have free access to pure water.



Программа «Амурская инициатива». Вода из скважины Осинореченского водозабора до (слева) и после (справа) ремонта.

FSD is also successfully collaborating with a host of special foundations created by large-scale international industrial corporations for the purpose of their corporate social responsibility effort.

Thus, FSD is the coordinator of the «We Are in Charge of the Future» ALCOA Sustainability and Conservation Program for Russia launched in 2006. It includes environmental education in schools, advanced training for teachers and educators, furthering multi-sector participation in addressing environmental and social challenges, and bringing together community resources of local schools and NGO's to broaden social partnerships. The geography of this Program includes the cities of Samara and Belaya Kalitva, Rostov Oblast, where the industrial facilities of Alcoa, one of the world's major nonferrous industry companies, are located.

At the end of 2009, FSD successfully completed the two-year program Sustainable Development and Jobs in Rural Areas (RURALJOB) funded by the Ford Foundation. Two projects of this Program deserve to be specially mentioned. They were devoted to the use of alternative sources of heat energy on two model sites – Varnavinsky Raion in Nizhny Novgorod Oblast and Terneisky Raion in Primorsky Krai. Despite the fact that these communities were located in regions strongly differing from one another by the levels of industrial and social development, their initial situations were surprisingly alike. The municipal administrations of both of these raions were spending up to one-fourth of their budgets on acquiring and delivering coal or diesel fuel to municipal boiler plants from companies located at distances of many

hundreds or even thousands of kilometers. Sometimes delivery costs were higher than the price of the fuel. This was happening in areas abundant in forests, with well-developed wood processing facilities and, literally, mountains of sawdust and other wood waste occupying significant areas. As a result of project activities, boilers burning wood waste as fuel were installed in Varnavinsky and Terneisky raions, thus making it possible to not only save municipal funds and utilize waste, but to reduce greenhouse emissions. It is important, that one of the key conditions of energy-efficiency projects of these programs was a reinvestment of energy savings into community development. For example, the

hospital in Terneisky Raion was able to hire an urologist and a nurse to operate modern equipment for breaking kidney stones, the only in the region along with the one in the regional capital Vladivostok, that was acquired with funds provided by the regional government.

The Fund for Sustainable Development also worked on an interesting program with financial support from the Citi Foundation – «Improving Communities Right Now!» – which consisted of two large projects, one in the Gorodetsky Raion in Nizhny Novgorod Oblast and the other in Nivyansky Raion in Sverdlovskaya Oblast.



Victor Danilov-Danilyan
Director of the Institute of Water Problems at the Russian Academy of Sciences, corresponding member of the Russian Academy of Sciences and Chairman of the FSD Board of Directors

«A country that chooses a development strategy that does not include sustainable development will inevitably be shaken by crises caused both by outside events of the global system and by internal reasons (for example, a depletion of reserves of exported raw materials, demographic «gaps», etc.). Apart from this, one should understand that at the age of globalization each country must make its contribution to the transition of our civilization to sustainable development. Those who, instead of following this venue, will knowingly or unknowingly act as destabilizing factors for the international community, are risking to become pariahs.

«The Russian Federation Transition to Sustainable Development Concept authorized by Presidential Decree # 1440 on April 1, 1996, differs considerably from similar documents of other countries by its theoretical depth and a consistent and clear orientation

Both projects were targeted toward small business development and the creation of new jobs through reviving traditional folk arts and crafts. Program activities included training novice entrepreneurs in the legal and marketing aspects of starting and running a small business; and also master classes in woodcarving, traditional painting and other trades. In 2009, as many as 46 new jobs were created, 40 local residents (unemployed persons and individual entrepreneurs) attended special training and nine new small businesses were started.

SOCIAL RESPONSIBILITY OR PUBLIC RELATIONS?

Domestic companies are also cooperating with the Fund for Sustainable Development. Thus, with funding from EuroChem Company, the program Environment and Public Health in Nevinnomysk and Other Regions of EuroChem Company Presence was managed by FSD through the Global Development Alliance (GDA) mechanism of providing co-funding for corporate social responsibility programs on the basis of private-public partnerships, if these programs benefited not only company personnel, but local communities as well. For this Program, USAID acted as a co-investor. According to Oleg Fokin, in the beginning, the residents of Nevinnomysk were rather half-hearted about such a program being carried out in their city. However, it soon became very popular because it was offering community members resources to finally realize their best ideas of improving their living environment and making it more comfortable. The people were quite



Программа «Местные сообщества: меняя жизнь к лучшему!»
Развитие традиционных народных ремесел в туристическом центре «Город мастеров», г. Городец Нижегородской области

toward reaching environmental development goals. It is country-specific and does neither conceal the negative aspects of our reality hampering the transition to sustainable development, nor over-simplify the problems of such a transition. In the late 1990s, before the country's environmental protection system was destroyed under the pressure of raw material oligarchs, this document acted as a guide for action for Russia's environmentalists and formed the basis of the Federal Law «On Environmental Expertise».

«The 1996 Concept was devoted mainly to environmental protection, while in the course of the years to follow other areas of sustainable development were successfully identified, such as public health and social and economic stabilization, which so far have not been reflected in any official documents.

«The above Presidential Decree # 1440 contained instructions to the Government to

develop a strategy of the country's transition to sustainable development. A draft strategy had been worked out and was twice considered at Government sessions in 1997 and early 1998, but it was not adopted because of the default of August 17, 1998 and the political changes of 1999.

«In the course of the 14 years that have passed since the approval of the Russian Federation Transition to Sustainable Development Concept, its provisions and objectives remain as topical as ever, and all its outlined activities are waiting to be implemented. This has become especially evident after President Medvedev's presentation at the State Council on May 21, 2010.»

disappointed when the company decided to discontinue the Program.

Another example is FSD's interesting and successful work with SUAL that was terminated after the company merged with RUSAL, which, in all probability, has a different vision of and approach to such issues.

Generally speaking, the concept of corporate social responsibility as it is understood by Western companies is quite unlike its Russian version. There are only a handful of companies in this country that are trying to meet international standards of sustainable development and corporate social responsibility. As a rule, a company's advance toward a civilized relationship between a large business and the public and environment depends solely on the personal qualities and views of its management. Moreover, if the top executives are replaced, everything that has been achieved up to then may be instantly brought to naught.

For Western companies, such fluctuations are not only untypical, but are simply impossible. They have long since formed a culture of corporate social responsibility

based on the triad Planet, People, Profit that prescribes to follow the accepted principles of sustainable development, plan long-term CSR activities, and define and follow corresponding performance indicators. This is a normal business process with its own logistics and administration. Indeed, a sustainable development and CSR strategy is an essential instrument of building a

company's image. Though, in most cases Western companies that implement social projects manage to avoid excess publicity of their efforts.

Quite often, CSR programs and projects are connected with notable events or sponsorship of famous cultural or sports brands. Strictly speaking, there is nothing wrong with a company's desire to be associated with something people know and like. However,



Igor Yurgens
Chairman of the Board of the Institute of Contemporary Development and member of FSD Steering Committee

«In many developed countries the principles of sustainable development have been naturally integrated into management strategies, becoming an integral part of the conformity to the rule «People, Planet, Profit», which is an indicator of the social orientation of western businesses.

«Regrettably, the traditions of business practices in Russia are very different. We are used to

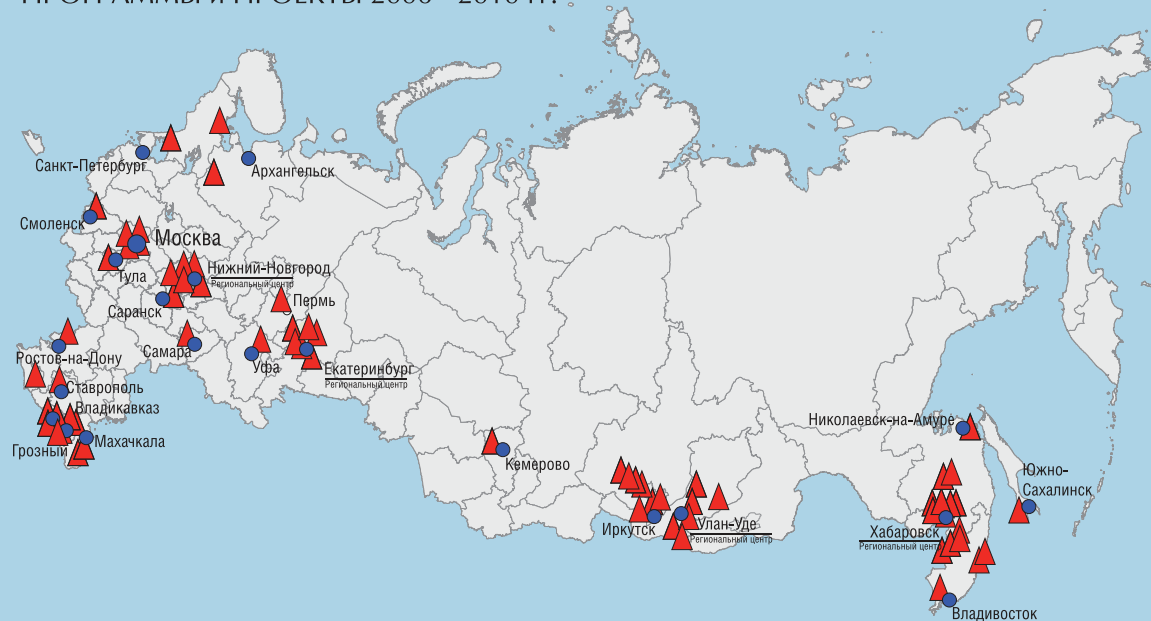
thinking that our resources are plentiful and that the natural environment of our vast country is quite sufficient for maintaining an proper ecological equilibrium and, thus, such issues as saving resources and conservation are not our priorities. It is important that these notions are typical not only of the business community, but of a large part of the country's population. Many people are primarily concerned about every-day life and household issues and only after that about the resources of tomorrow. That is why we still have a long way to go before we reach, for example, the level of European responsibility regarding sustainable development.

«However, the new global challenges, both economic and environmental, are motivating our companies to make changes. Growing numbers of business leaders (even in the raw material sector) are coming to an understanding that resources are, after all, exhaustible. Growing numbers of citizens are starting to be personally concerned about the environmental properties of products they consume. Besides, the chances of Russia's integration with the European community are principally subject to the development pace of the country's «green economy» based on modern energy-efficiency technologies, including the use of alternative sources of energy. This initiates points of growth where the principles of CSR and sustainable development begin to be introduced in business processes and corporate strategies.

«And yet, the majority of Russia's companies have not even formulated the subject of sustainable development. That is why it is important to encourage them to invest into general environmental improvement and into trying to harmonize their technological standards with those of the world's best models — as President Medvedev stressed today in his speech.

«If a viable system of economic motivations will be created for the transition of domestic businesses to the principles of sustainable development, the dynamics of Russia's technological and social modernization in this sphere will definitely gain momentum.»

ФОНД "УСТОЙЧИВОЕ РАЗВИТИЕ"
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it is wrong when a corporate social policy is based solely on newsbreaks.

It should be remembered that the Western culture of social responsibility took decades to be formed in its present state and that in time Russian businesses will also reach the level of planned approaches and standards in this sphere.

Today companies in our country are making a serious mistake. Possessing neither

experience in designing and implementing CSR programs, nor a clear understanding of how to achieve greater efficiency of social investment, they, nevertheless, quite often decline the services of professionals possessing extensive expertise in managing social programs and projects.

Indeed, to competently build a system of corporate public relations and to become engaged in a dialogue with local government and communities is not as easy as it may seem at first glance. People are sensitive enough

to distinguish between a desire to cooperate with them or to merely provide them with donations. The former brings about trust and loyalty to the company, while the latter, most likely, will do no good to either side from the point of view of strengthening ties between a business and the public. ■