



FOREIGN INVESTMENT ADVISORY SERVICE

a joint service of the
International Finance Corporation and The World Bank

September 8, 2004

FIAS assistance to support a market-based CSR approach in Russia (project proposal info)

FIAS conducted an exploratory mission to Russia from June 27- July 4, 2004. During the mission we had productive meetings with representatives of Ministry of Economic Development and Trade (Deputy Minister A. Sharonov), other government agencies, business associations and companies in Moscow and Irkutsk. Currently we anticipate a letter from MEDT, endorsed by Ministry of Natural Resources (Federal Forestry Agency), asking for technical assistance in Corporate Social Responsibility (CSR), an issue which loomed large recently on the political agenda of the Russian Federation, particularly in the aftermath of a meeting on social responsibility of business held July 1 by President Vladimir V. Putin with Russia's business leaders. After the mission we have consulted widely in the World Bank and IFC, and hear a strong consensus that an advisory project in corporate social responsibility would add value in Russia today.

Based on these two Ministries' request we have proposed to focus on voluntary forestry certification in Russia, given progress to date, and then to consider the potential consequences for market-based voluntary certification and/or CSR reporting in other industry sectors:

1. Voluntary certification to date in the forestry sector

The project would analyze process/costs of voluntary certifications completed to date, using a value chain analysis model with the objective of identifying potential efficiency gains (time, cost, service provision). We would explore the feasibility of using simplified standards and streamlined procedures in order to reduce unintended distortions (e.g. prohibitive costs for smaller leaseholders) in getting properly managed forests certified.

2. Public sector roles

The project would consider options for stimulating increased market reward (e.g. increased financial market interest in eco-rating schemes, public procurement weighting for sustainably harvested wood products). We would build on FIAS' existing analysis of administrative barriers to investment in Irkutsk, Tomsk and Perm oblasts, and recommend options for reducing administrative barriers in the forestry sector when voluntary certification is being applied, based on best international practice. We would also assist the Ministry in re-designing the evaluation criteria by which their staff currently assess competition entries in the annual competition for 'High Social Efficiency' by regions, sectors, and types of social activity. 32 forestry-based companies participated in the three previous rounds of competition.

3. Application in other industry sectors:

We have proposed an initial exploration of CSR issues in the forestry sector. We trust that lessons learned from this experience can be applied and modified to other economic sectors. There are a large number of national and regional conferences on CSR in Russia over the next 12 months. The project team would take advantage of these high profile events to communicate best practice of CSR and the roles the public sector can most usefully play, drawing from the emerging good practice in the forestry sector to offer a market-based approach that is fundamentally different to current public sector efforts that disguise rent-seeking and fiscal objectives as CSR. A final report to the Ministry of the Economy would draw together these recommendations and conclusions from the forestry sector's experience with voluntary certification, and offer recommendations for public sector role's to stimulate these market-based CSR approaches in other key industry sectors.