Ukrainian national strategy for Corporate Social and Environmental Responsibility as a framework of responsible business conduct

1. Introduction

Comparison of world, European and national experience of dissemination and standardization of the corporate social and environmental responsibility (CSER) shows its exceptional importance as a means of increasing the competitiveness of both individual
companies in real, finance and public sector and the state as a whole. The low level of CSER distribution among Ukrainian companies in comparison with European ones does not allow them to increase competitiveness, accountability and transparency, which negatively affects the image and competitiveness of the state.

The analysis of key barriers to the development of the CSER and the calibration of the factors, which are influencing on institutional environment, has made it possible to highlight the social, economic, environmental and legal factors as the most important for its dissemination. The institutional environment and its impact on national specificity of CSR was investigated by Halkos, G. & Skouloudis, A. (2016).

Among the legal factors, the necessity to develop a National Strategy for Corporate Social and Environmental Responsibility (NSCSER) is crucial, which would allow setting benchmarks for the development of CSER in Ukraine and identify the main tasks of the state policy of promoting its dissemination.

The confirmation of the above mentioned thesis is not only the results of our own analysis, but also the results of the survey of 400 Ukrainian companies of different sizes (large, medium, small, micro) from 24 regions of Ukraine, conducted by the Centre for CSR Development in 2018, which cover the main trends, the barriers and prospects for CSER development in the state.

According to (Melendez, J. R. & Gracia, G.E., 2019), there are three scenarios of competitive strategies: social, economic and environmental.

The imperfection of the regulatory framework that would contribute to the development of CSER is one of the three main reasons for its low distribution in Ukraine according to the opinion of enterprises (Figure 1).

As a result of the CSR Development Centre’s Transparency Index of companies in Ukraine in 2017, only half of companies in Ukraine have a clear strategy for CSER, 21.7% disclose information about CSER (Zinchenko, A. & Saprykina, M., 2017). This shows that Ukrainian companies do not perceive CSER as a policy that integrates into the business strategy of the company and that it is the basis of the company’s competitiveness on the market.

However, according to the same survey (Zinchenko, A. & Saprykina, M., 2017), the very external stimulus (clearly defined state strategy) would be a strong impetus for the development of CSER for Ukrainian companies (52% of the 400 responding companies in the area of social responsibility development to be made in the coming years called the adoption of the National CSER Strategy).

Figure 1

Distribution of answers of respondents to the question "What obstacles are the most serious during implementation of programs/actions on social responsibility of your company?" (in %)
So, NSCSER development in Ukraine is the most relevant and urgent issue for further spreading of CSER in financial, real and public sector of the economy.

2. Methodology
Basic methodology for NSCSER development was published by different international organizations. In this regard, a number of requirements (basic principles) for the development of national CSER and sustainable development strategies (Table 1), developed by the leading supranational (UN, OECD) and European organizations (CSR Europe), were investigated. Most of the above mentioned requirements overlap, indicating their importance and unambiguousness.

Table 1
Requirements for the elaboration of national strategies for CSER and sustainable development and their incorporation into NSCSER of Ukraine

<table>
<thead>
<tr>
<th>OECD</th>
<th>UN Department of Economic and Social Affairs</th>
<th>CSR Europe</th>
<th>National Strategy for CSER</th>
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</thead>
<tbody>
<tr>
<td>Intergenerational nature</td>
<td>Balancing strategy by generations</td>
<td>Man-centeredness</td>
<td>Focusing on common values and strategy of stakeholders</td>
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<tr>
<td>Integration in politics</td>
<td>Integration of social, environmental and economic goals</td>
<td>Comprehensiveness and Integration</td>
<td>Balancing social and environmental trends in strategy implementation</td>
</tr>
<tr>
<td>Intergenerational nature</td>
<td>Timing strategy balancing</td>
<td>Long-term character</td>
<td>Allocation of short, medium and long-term periods and specification of measures for these periods in the Implementation Plan</td>
</tr>
<tr>
<td>Integration in politics</td>
<td>Analysis of the implementation environment</td>
<td>Purposefulness and integration into the budget process</td>
<td>Considering the boundaries of the existing legal framework in the field of CSER and sustainable development and mechanisms for its provision</td>
</tr>
<tr>
<td>Analysis and evaluation</td>
<td>Preliminary analysis and justification</td>
<td>Considering the requirements of existing plans and strategies</td>
<td></td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>Focus on results and implementation methods</td>
<td>Monitoring, training and continuous improvement</td>
<td>Provide monitoring, evaluation, implementation and strategy review</td>
</tr>
<tr>
<td>Coordination and institutions</td>
<td>Enforcement of obligations by the state</td>
<td>Assignment at the state level</td>
<td>Determining the powers of state bodies and ensuring coordination of their activities</td>
</tr>
<tr>
<td>Analysis and Evaluation, Indicators and</td>
<td>Capacity development</td>
<td>Analysis and development of existing opportunities</td>
<td>Formation of holistic financial and economic, organizational-institutional and informational</td>
</tr>
</tbody>
</table>
Based on these requirements and (Migliorato, M., 2015) a structural and logical scheme for the formation and implementation of NSCSER in Ukraine was proposed. Among main methodology aspects we should mention the following:
- focusing on stakeholders needs;
- balancing social and environmental trends;
- defining short, medium and long-term periods in the Strategy and its Implementation Plan;
- considering limits of existing legal framework;
- provide monitoring, evaluation, implementation and strategy review;
- public authority obligations and coordination of their activities;
- ensuring financial and economic, organizational-institutional and informational and communication support for the strategy.
- ensuring transparency for all stakeholders;
- cross-sectoral nature of stakeholder’s partnerships.

3. Results

Starting with the creation of the National Network of the UN Global Compact and the publication of the first social reports by Kyivstar, in 2005 the process of developing the institutional environment of the CSER in Ukraine (Table 2) continues, and attempts to develop NSCSER are being made.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2005</td>
<td>Creation of the National Network of the UN Global Compact</td>
</tr>
<tr>
<td>2007</td>
<td>Ukraine joined the development of ISO 26 000 &quot;Social Responsibility Guide&quot;</td>
</tr>
<tr>
<td>2009</td>
<td>Hearing &quot;Development of Corporate Social Responsibility: Ukrainian Prospects&quot;</td>
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On the initiative of the UN Global Compact Network, SCM Company, the Ukrainian Association for the Development of Management and Business Education, the Centre for the Development of Corporate Social Responsibility was developed the discipline "CSR", and introduced the new professions
<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>2010</td>
<td>On the initiative of the United Nations Global Compact, CSR Development Centre, Institute of Ownership and Law and the Association of Quality, the Ukrainian Union of Industrialists and Entrepreneurs, the Consultative Council for the Development of the National Concept for the Development of Corporate Social Responsibility in Ukraine was established. More than 60 universities of Ukraine introduced a training course on &quot;Social Responsibility&quot;</td>
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<tr>
<td>2010-2011</td>
<td>Functioning of the Council at the Committee of the Verkhovna Rada of Ukraine on Industrial and Regulatory Policy and Entrepreneurship</td>
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<td>January 2011</td>
<td>Completion of the National Concept for the Development of Corporate Social Responsibility in Ukraine.</td>
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<td>2011-2013</td>
<td>Discussion of the draft National Concept for the Development of Corporate Social Responsibility in Ukraine among a Range of Stakeholders</td>
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<td>2012</td>
<td>The draft Law of Ukraine &quot;On Social Responsibility of Large Business&quot; was developed and presented for discussion.</td>
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<td>2013</td>
<td>Creation of a Working Group on the Development of the National CSR Strategy in Ukraine under the Coordination Council for the Advancement of Civil Society in the Administration of the President of Ukraine</td>
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<tr>
<td>August 2013</td>
<td>Adoption of the CMU Order No. 641-r of August 28, 2013 &quot;On Approval of the Concept of the National Program for the Development of Small and Medium-Sized Entrepreneurship for 2014-2024&quot;, including envisages the development of CSR for small and medium enterprises.</td>
</tr>
<tr>
<td>2014</td>
<td>Signing of the Association Agreement with the EU of 27.06.2014, in particular articles related to the dissemination of CSR and sustainable development in Ukraine: 293 Trade for the benefit of sustainable development Chapter 13 Trade and sustainable development Chapter IV of the Deep and Comprehensive Free Trade Area, Directive/95/EU of 22 October 2014 on the disclosure of non-financial and diversified information by certain large companies and groups</td>
</tr>
<tr>
<td>2016</td>
<td>Resumption of the Working Group on the Development of the National CSR Strategy in Ukraine under the Coordination Council for the Advancement of Civil Society in the Administration of the President of Ukraine</td>
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<tr>
<td>2017</td>
<td>Amendments to the Law of Ukraine &quot;On Accounting and Financial Reporting in Ukraine&quot; (regarding the improvement of certain provisions) of 16.06.2017 No. 4646-d concerning the disclosure of non-financial information (management report and report on payments in favour of the state) for the purpose of transposing the norms Directive 2014/95/EU</td>
</tr>
</tbody>
</table>

Following the results of the thirteen-year extension of the CSER in Ukraine and its regulation, the regulatory measures of European integration are the most influential. The implementation of two forms of non-financial reporting (management report and Statement of Payments for the benefit of the state) were the first steps towards the full implementation of non-financial reporting by companies in Ukraine. However, as the chronology shows, none of the initiatives for the development of NSCSER in
Ukraine, such as the National Concept for the Development of Corporate Social Responsibility in Ukraine (UN Global Compact, CSR Development Centre, USPP, 50 Organizations) or the National CSR Strategy in Ukraine (Project of Coordination Council for the Promotion of Civil Society Development under the Administration of the President of Ukraine) was not completed and implemented.

Consideration of these projects made it possible to conclude on their importance in advancing of CSER in Ukraine, the thoroughness of coverage of key tasks and guidelines of state policy in this area, the commonality of the key objectives of the strategy and the state policy with CSER, in particular:

- regarding the consideration of the CSER in the context of ensuring the country's competitiveness;
- working out common approaches to the understanding of the CSER and disclosing information about it in non-financial reporting;
- development of new forms of public-private partnership and social dialogue;
- ensuring respect for human rights, increasing resource efficiency by Ukrainian enterprises.

At the same time, in our opinion, the key disadvantages of the considered projects are as following:

- low level of consistency of defined tasks and priorities in terms of time, executors, resources, guidelines in realization in accordance with the needs of stakeholders of companies from different sectors of the economy: state, financial, and real sector;
- insufficient consideration of information requests and expectations of target groups of stakeholders of companies from different sectors of economy, which determine the main directions of the CSER for companies through the mechanisms of engagement and cross-sectoral partnership;
- lack of a holistic vision of the role of the CSER and its national strategy as the basis for progress towards the achievement of the goals of sustainable development;
- insufficient development of various types of resource provision of the strategy and its implementation plan.

The key aspects of NSCSER were defined based on these requirements of OECD, UN Department of Economic and Social Affairs, CSR Europe and taking into consideration the advantages and disadvantages of existing projects of national strategies and concepts for the development of CSER.

The key aspects that need to be reflected in the NSCSER are as following:

- Focusing on universal values and stakeholder target groups strategy, balancing of social and environmental policies, allocating short, medium and long-term periods, and specifying measures for these periods in the Implementation Plan (as general directions for building strategies for CSER and sustainable development within the framework of leading approaches international organizations: OECD, UN Department of Economic and Social Affairs, CSR Europe). The basis for determining the list of tasks of the NSCSER served as the key barriers to its dissemination in Ukraine.

- Taking into consideration the limits of the existing legal framework in the field of CSER and sustainable development and mechanisms for its provision. As the European experience shows, the development of a coherent sustainable development strategy is preceded by a separate strategy for CSER. This confirms the thesis that the CSER strategy is a micro level of the country's sustainable development strategy. Existing heterogeneous system of national strategies (Ukraine-2020 Sustainable Development Strategy, National Strategy for Promoting Civil Society in Ukraine for 2016-2020, Strategy for the Information Society Development in Ukraine, State Strategy for Regional Development for the period up to 2020, Strategy for Elimination of Poverty, The Strategy for the Development of Small and Medium-Sized Enterprise in Ukraine), as well as a number of program documents specific to specific sectors, has no such micro-level, and also does not have contain regulatory provisions on the promotion of the CSER. In particular, within the framework of the Strategy for
Sustainable Development "Ukraine – 2020" (Decree by President of Ukraine, 2015), the most urgent need for the dissemination of CSER falls under two main vectors:

1) the vector of development - the direction of implementation is deregulation and entrepreneurship development, creating a favorable environment for doing business, developing small and medium enterprises, attracting investments, etc.;

2) the vector of pride - the direction of realization is popularization of Ukraine in the world and advancement of Ukraine’s interests in the world of information space (building confidence in Ukraine, directing its positioning in the world in favor of the political and economic interests of our state, forming a positive image of Ukraine).

However, in the existing Strategy for Sustainable Development, Ukraine – 2020, there is no understanding of CSER as an effective driving force on the way of society, companies of various sectors of the economy and the state to progress in the SDG, as a means of increasing the competitiveness of companies and the value of the brand "Ukraine".

- Ensuring monitoring, evaluation and implementation of the strategy within the framework of the developed NSCSER are assigned as separate functions to the Ministry of Economic Development and Trade, which organizes annual monitoring of the effectiveness of its implementation, develops a system of indicators of such effectiveness, conducts evaluations of the work of central executive authorities, local executive bodies authorities, local authorities, entrepreneurship support infrastructure (associations, business associations, scientific and educational institutions, NGOs) in the implementation of measures to promote CSER.

- Determination of the powers of state authorities to implement the strategy and ensure coordination of their activities. Coordination of efforts to promote CSER's regulators in various sectors of the economy; the coordination of their actions is foreseen within the framework of the draft NSCSER on an advisory basis, while the task of adopting, reviewing, implementing, monitoring NSCSER within the framework of the implementation of the state policy on sustainable development should be assigned to the Ministry of Economic Development and Trade. In our opinion, the National Contact Point established after the signing of the Agreement between the Government of Ukraine and the Organization for Economic Cooperation and Development (OECD) on joining the Declaration on International Investments and Multinational Enterprises, Guidance Recommendations for multinational companies and procedural decisions of the OECD Council. An important role should also be played by the revitalization of the sectoral regulation of the mechanisms of the CSER, which should be carried out with the constitutionality of the context of the sustainable development of regulators of certain sectors and industries: extractive industry - taking into consideration the Extractive Industries Transparency Initiative, the Transparency Initiative in the construction industry, etc.

- Formation of a holistic financial and economic, organizational-institutional and informational and communication support for the implementation of the strategy. Existing projects of national strategies and concepts need to be specified in terms of resource-efficiency ratios and in-scope analysis. The draft NSCSER synthesizes financial and economic, organizational and institutional, information and communication levers and tools aimed at creating an environment for responsible business conduct in Ukraine with a clear link to the authority responsible for their application, within the framework of the defined Action Plan for its implementation. Among them, there are the definition of sources to finance measures for dissemination of CSER and promotion of the mechanisms development, regulatory instruments, financial products and responsible investment markets by regulators of the financial sector of Ukraine (the National Bank of Ukraine, the National Commission for the regulation of financial services markets, the National Commission for Securities and the stock market, as well as financial institutions acting as donors).

- Taking into consideration interests, inquiries and expectations of stakeholders in various sectors of the economy, ensuring transparency. Unlike existing documents and projects based on the dissemination and regulation of CSER practices in Ukraine, the elaborated draft strategy places the most significant demands of numerous groups of stakeholders (external and internal) of different sectors of the economy to determine the role of the state, financial
intermediaries and regulators, business entities, the public, representatives of the scientific and educational spheres to achieve the most relevant SDG.

- The cross-sectoral nature of the interaction between regulators of different levels and the partnership of stakeholders was added to the developed NSCSER, taking into consideration that in the existing Strategy for Sustainable Development Ukraine – 2020 only delimited areas of responsibility of companies, society and authorities:

  - responsibility of the authorities is to carry out reforms, to provide balance interests between civil society, the state and business, to work transparently and qualitatively on new approaches, to guarantee the observance of human rights;
  - the responsibility of business is to maintain and develop and the state, the business environment and civil society, to diligently pay taxes, invest efficiently in the state economy, adhere to the principles of honest work and competition;
  - the responsibility of civil society is to control power, live up to the principles of dignity and strictly adhere to the Constitution of Ukraine and the laws of Ukraine.

But they did not take into consideration the important role of cross-sectoral partnerships and multi stakeholder approach in reaching the SDG by means of CSER. In our opinion, the building of effective partnerships (cross-sectoral, multi stakeholder, panel) is a key aspect to effective social transformation and spread of values of a responsible business.

4. Conclusions

Taking into consideration the all the mentioned aspects of the structural and logical scheme of the NSCSER, a draft of NSCSER and its Implementation Plan were developed. The documents were developed on the basis of comparative analysis of mechanisms of implementing national strategies on CSER in the leading countries of the world, as well as analysis of key barriers to spread of CSER in Ukraine, and requirements for development of national strategies for Sustainable Development and CSER of International Organizations (UN Department of Economic and Social Affairs, CSR Europe, OECD).

These barriers include key indicators (time, executors, resources), types of provision (institutional, financial, and informational) and allow to outline the vectors, problems and prospects for their implementation on a national basis, taking into consideration the needs of stakeholders in the state, financial and real sectors of the economy.

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