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ANALYSIS

Business-State Relations and the Role of Corporate Social Responsibility in Russia's Regions

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Abstract

In Russia's regions, companies closely collaborate with state administrations in the field of corporate social responsibility (CSR). Different forms of interaction have emerged, including the so-called "socio-economic cooperation agreements" (SECAs). These agreements between business actors and governors define mutual responsibilities with regard to regional development and regulate the companies' social and ecological investments in their territories of presence. In addition, business and state actors collaborate in joint investment projects, public-private partnerships, working groups and charity activities. Business-state collaboration is characterized by interdependence: companies need licenses and administrative support for business operations, while state actors seek additional financing for welfare provision and regional infrastructure. For companies, CSR has become an important tool to institutionalize their charity activities and determine their social obligations towards the state.

CSR in Russia

The debates about corporate social responsibility (CSR) have reached Russia, as Russian companies are increasingly operating on international markets and have become part of global value chains. A growing number of large corporations in Russia participate in CSR networks such as the United Nations Global Compact Initiative and the Global Reporting Initiative. At the national level, the Russian Union of Industrialists and Entrepreneurs (RSPP) plays an important role in supporting its member companies to introduce CSR programs and reporting.

The adoption of CSR practices in Russia is shaped by the institutional context. Particularly in regions where industrial plants are located, Russian companies rely on Soviet and pre-Soviet traditions of responsibility and corporate charity. In addition to these path-dependent developments, one can observe increasing pressures from international customers who oblige export-oriented Russian companies to comply with human rights and ecological standards. Russian-style CSR has thus developed in the interplay of national and international factors. This raises the question of how global CSR practices are adopted and implemented in Russia's regions and what importance they have for business-state relations.

The Russian state needs close cooperation with the economy to meet welfare needs and to adhere to environmental standards. Business actors, in turn, are dependent on state support as they need infrastructure and licenses for production. This interdependence is apparent at all levels of the state hierarchy, but especially at the regional level where state administrations are heavily dependent on the few large corporations that are present in the region. Both sides put efforts into systematizing and formalizing the traditionally highly informal relationship between state and business. We therefore investigate how state and business actors work together in the field of CSR in Russia's regions.

In this contribution, we first look into the different forms of business-state cooperation and the decision-making mechanisms which have emerged in this sphere. We then discuss the contribution of companies to the social and ecological development and the role of civil society in Russia's regions, before we conclude with summarizing the main motivations of Russian companies for their commitment in the field of CSR.

Interdependence Between State and Business

Relations between state and business actors in Russia can be described as highly interdependent (Yakovlev 2006). Although the state plays a leading role within the increasingly authoritarian regime, the relationship between the actors is not one-sided. Given the scarcity of resources, especially at the regional level, state actors heavily rely on the financial support and the socio-political capacities of companies. In this way, an exchange of resources takes place in which both sides are interested (Kononenko and Moshes 2011).

Russian companies act as socially responsible actors in cooperation with the state and have established themselves as solid partners of regional and municipal authorities. By doing this, they safeguard their own economic interests vis-à-vis the state, secure necessary licenses for production and avoid possible sanctions, which can become crucial for their economic survival in a political regime which is characterized by a limited rule of law and restricted property rights (Markus 2015). Moreover, the

cooperation with regional administrations gives companies an opportunity to participate in decision-making processes regarding the socio-economic development in the regions where their production sites are located. The coordination of social and ecological activities with the authorities is an important part of the companies' government relations (GR activities). It enables companies to access administrative and other state resources and has recently become increasingly systematized and institutionalized (Fifka and Pobizhan 2014).

Forms of Business-State Cooperation

Since there has been no legislation in the area of CSR in Russia, the interaction between state and business actors mainly develops according to informal rules (Ledeneva 2013). Nevertheless, business-state collaboration has obtained a certain degree of institutionalization. One can distinguish between four forms of cooperation: 1) socio-economic development agreements between companies and regional or local administrations, the so-called SECAs; 2) joint social investments projects and public-private partnerships (PPP); 3) working groups, committees and other consultative mechanisms with the participation of company representatives and state actors; 4) informal collaboration, including personal interactions between company representatives and regional decision-makers as well as corporate charity projects and ad-hoc requests for financial support from the side of state institutions.

First, the SECAs are a relatively strongly institutionalized form of cooperation between the state and business (Kurbatova and Trofimova 2015). The agreements are usually concluded for a period of three to five years and are accompanied by additional annual contracts which list specific projects and fixed expenditures of the companies for road and bridge construction, maintenance and development of social infrastructure as well as long-term sponsorships of sport, culture and education in the region. In the agreements, both sides commit to mutual support. Companies are assured of removing administrative barriers and receiving state subsidies, tax reductions and bureaucracy relief for investment projects. In return, regional and local administrations receive large amounts of financial aid from companies to fulfil their social-political tasks.

The second form of cooperation are joint projects between large companies and the state. These projects are either realized within the framework of SECAs or on a separate contractual basis. The latter applies to companies that do not conclude long-term social economic development agreements with the authorities. The subject areas of joint projects essentially correspond to the projects listed in the SECAs. The substantial difference is that state support in this context is limited to the specific objective of a single project. Potential state support for the general economic activity of a company in the region only takes place on an informal basis.

Third, participation in committees and working groups is another, more informal form of cooperation between state and business. On the one hand, company representatives take part in the councils and committees of regional ministries or public chambers where they can make proposals for government expenditures in the respective subject areas. On the other hand, state actors are involved as experts in the selection procedures of the grant competition programs for social organizations and municipal institutions, organized by large corporations. Compared to the above mentioned agreements and joint projects, this type of cooperation is far less binding for both sides and mainly serves the purpose of information exchange.

Fourth, another weakly institutionalized form of cooperation are ad-hoc requests from regional and municipal administrations. Companies are sometimes asked by the authorities to directly participate in the financing of repair and construction works in social institutions, to provide funding for the organization of public events or to support social organizations or individuals, for example in case of medical emergencies. By providing assistance, companies demonstrate loyalty to the authorities and maintain channels of informal communication with state officials, which can in turn be used for settling conflicts and safeguarding their business interests. However, this highly informal ad-hoc interaction also paves the way for excessive state demands and creates additional costs that affect the companies' long-term financial planning in the regions.

Companies' Contribution to Regional Development

In addition to cooperation with state authorities in social matters, Russian companies have developed their own CSR programs which are largely independent of the state. Some companies have also established corporate foundations which are responsible for implementing social programs and grant competitions (Krasnopolskaya 2020). The companies' priorities lie in the regions or cities where their production sites are located, the so-called "territories of presence." Sometimes, cities and small industrial towns fully depend on one large company and are therefore called "monocities" (Crowley 2016). The geographical focus of many CSR programs is also reflected in their name. The oil company GazpromNeft, for example, calls its CSR program "Hometowns", while the metallurgic company Rusal speaks about the "Territories of Rusal". Other companies focus on the philanthropic character of their CSR activities, such as the chemical company Sibur with the "Formula of Good Deeds" program.

In recent years, many Russian corporations have started to institutionalize their CSR programs in order to achieve greater uniformity across different production sites and territories of presence. One can observe a general trend from corporate charity to systematic CSR programs. Already existing activities are often integrated in one nation-wide umbrella program. Russian companies increasingly orientate themselves towards international CSR standards and embrace global developments such as the United Nations Sustainability Agenda or the concept of social investments. Important CSR promoters in Russia are the business association RSPP, which has been supporting the introduction of CSR reporting among its member companies since 2012, and the Russian Association of Managers, which offers training for professionals and organizes community building events. International trends are becoming increasingly important in Russia, as companies operating on international markets are obliged by their customers or investors to comply with global CSR standards. At the regional level, mixed forms of CSR have emerged, whereby new CSR programs are often linked to Soviet and pre-Soviet traditions of corporate charity and responsibility (Crotty, 2016). The introduction of corporate volunteering programs, for example, has led to a revival of the Soviet tradition of "subbotniks" during which employees are asked to engage in voluntary work on their free Saturdays.

One of the reasons for companies to systematize their CSR programs and formalize their cooperation with the state is to protect themselves from increased demands and state encroachments. A legacy of the Soviet planned economy is that both state actors and local populations have high expectations of social responsibility, especially with regard to regionally based companies. These expectations result from the Soviet economic structure where local plants were fully responsible for providing welfare to their employees and the local populations. Until today, the so-called "town-forming enterprises" ("gradoobrazuiushchie predpriiatiia") are expected to support social institutions in their territories, such as clinics, schools and kindergartens (Popova 2018). The formalization and (most importantly) the fixation of mutual obligations in the SECAs define the limits of the companies' social investments and their financial and infrastructural participation in the social development of their territories of presence. In this way, Russian companies have strengthened their position in the relationship with the state. They have limited the scope of ad hoc requests from the authorities and developed their cooperation with regional administrations from a traditional role as social welfare provider, known from Soviet times, to developing social investments, associated with long-term planning and fixed role assignment for both sides.

What Role for Civil Society?

Scholars assume that companies have developed CSR in response to the pressures of civil society (Gjolberg, 2009). In present-day Russia, however, the role of organized civil society is very restricted. Most organizations are too weak to take on the much more influential companies. Moreover, there is largely no critical public in Russia which is able to hold business actors accountable for potential social or ecological damage and grievances. In recent years, however, important changes have been emerging in Russia. Environmental protests have been increasing in Russia's regions, e.g. against air pollution or waste disposal sites (Arnold 2019). A number of Russian nonprofit organizations (NPOs) have successfully taken action against companies and achieved compliance with stricter environmental regulations at the local level. In addition, the demands on companies in their role as employers and producers are growing, as local employees, clients and residents in Russia's regions demand good working and living conditions. Companies thus cannot anymore neglect the concerns of the local population, especially in remote regions where it is difficult for them to attract highly skilled professionals for industrial production. Overall, however, Russian NPOs so far have remained weak. In the regions and especially in the so-called monocities, the local population is heavily dependent on the town-forming enterprises and therefore has little opportunity for critical control.

Conclusions: Why Do Companies Engage in CSR?

CSR is a relatively new phenomenon in Russia's authoritarian capitalism, largely shaped by the growing integration of Russian companies into global markets and the associated pressures from international costumers. However, in the form of social responsibility for employees and local population, Russian-style CSR is strongly connected to the Soviet understanding of industrial plants as local welfare providers. In this path-dependent role, today's companies in Russia assume responsibility for securing welfare at the local level, e.g. by supporting social institutions, closely collaborating with regional authorities and engaging in corporate charity. In developing CSR, the Russian state remains the central focal point for Russian companies as they need to prove their loyalty to the authorities and simultaneously protect their economic autonomy. In this complex relationship with the Russian state, CSR has become an important tool for companies, as it enables them to institutionalize their activities and thereby define their social obligations towards the state.

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