

Ministry for Economic Development of the Russian Federation

United Nations Development Program



ENGAGING RUSSIAN BUSINESS IN GC-DRIVEN SUSTAINABLE DEVELOPMENT

2009-2014

2009

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Outcome: Poverty reduction through sustainable and more equitable economic growth, in particular private sector development and engagement in line with UN Global Compact principles

Outputs: Engagement of Russian Business in strategically-orientated, sustainable social and economic development in line with UN Global Compact principles.

Expected Results: (1) Dissemination of the 10 UN Global Compact Principles of sustainable development; implementation of those principles into the practices of Russian and foreign companies in Russia. (2) Involvement of participants of the Global Compact Network Russia and other Russian businesses in applied projects on crisis management and sustainable social and economic development of companies and the territories in which those companies operate.

Indicators: (1) Increase in the proportion of sustainable development reports prepared by Russian companies which are in line with Global Compact principles; (2) Number of sustainable social and economic development practices (private sector engagement and/or development activities) developed by Russian companies together with regional / local administrations.

Executive Partner: Ministry for Economic Development of the Russian Federation (MED, Russia)

Project Partners: Participants of the UN Global Compact Network Russia (UNGC, Russia)

Project Summary

The Project aims for the development and implementation of sustainable social and economic development projects jointly by the UN Development Program (UNDP) in Russia and by Russian and multinational companies, who are either currently participating, or are intending to join UN Global Compact Network.

The main priority of the Project in 2009-2010 is the development and implementation of projects that aim to minimize economic, social and environmental impact of the financial and economic crisis for the company-participants of the Global Compact Network Russia in the territories where they do business.

This will be achieved through implementation of the following two interrelated components within the project's framework:

1. Dissemination of the 10 UN Global Compact Principles of sustainable development; implementation of those principles into the practices of Russian and foreign companies in Russia.
2. Involvement of participants of the UNGC, Russia and other Russian businesses in applied projects on crisis management and sustainable social and economic development of companies and the territories in which those companies operate.

Timeframe of the National Program: 2008 – 2010

Duration of the Project: April 2009 – April 2014

Name of the Project: Engaging Russian business in GC-driven sustainable development

Project Number:

Method of Project Realization: NEX

Program sphere: Sustainable livelihoods and economic development

Service Line:

Outcome: Poverty reduction through sustainable and more equitable economic growth, in particular private sector development and engagement in line with UN Global Compact principles

Expected Result according to the long term plan: Enhanced capacities of companies and regional authorities to develop and implement poverty reduction strategies and pilot projects. Corporate sector engagement in the regional development programmes to eliminate poverty and inequality between the regions

Total Budget: 4,030,000 US Dollars

Sources of Funding:

Business 2,630,000 US Dollars

UNDP 720,000 US Dollars

Institutional Donors 680,000 US Dollars

Authorized by (Ministry for Economic Development of Russia): _____ /Klepach A.N./

Authorized by (UNDP): _____ /Graumann S./

SECTION 1: SITUATION ANALYSIS

The most pressing issue is a shift in the understanding of Russian companies of sustainable development as losses to understanding the long-term competitive advantages and the reduction of the expenditures of companies as a result of practical actions and introduction of the principles of the sustainable development. In addition to this, an important element of sustainable development is the change in perceptions of social investments as forced impositions, “which replace” state expenditures and programs, towards the development of progressive approaches to social responsibility and sustainable development in the territories where a company does business.

Russian business is beginning to actively take part in global initiatives that encourage socially responsible business, primarily through the UN Global Compact (UNGC). UN Global Compact – this is an initiative that encourages companies to abide by the ten universal principles of the UNGC, in the spheres of human rights, workers’ rights, environmentalism and anti-corruption. Secretary-General Kofi Annan first advanced the idea of the Global Compact initiative at the World Economic Forum at Davos (Switzerland) on the 31st January 1999. Officially, UNGC was formed at the headquarters of the United Nations in New York in July 2000. Since that time, Global Compact, which is now made up of thousands of participants from over 100 countries, has become the largest and the most important corporate citizenship and sustainability initiative in the world. At the beginning of 2009, more than 6,000 companies from all over the world responded to the call for the development of a more stable and open global economy.

In 2008, participants of the Global Compact Network in Russia (UNGC, Russia) carried out important structural and organizational changes, aimed to increase the effectiveness of the Russian local network’s activities. On April 10th, 2008, in Moscow, more than 30 senior representatives of Russian companies met with UN Secretary-General Ban Ki-moon, and declared their intention of starting a Russian local network of the UNGC. “I welcome today’s formation of the Russian Local Network as a sign that the business community of Russia, one of the largest economies in the world, is ready to fully support the universal values of the United Nations,” explained Ban Ki-moon. There was an annual general meeting of participants of the UNGC, Russia on December 17th, 2008. The meeting ratified the “Statutes of the Global Compact Network, Russia” and “Priority Aims and Objectives of the Global Compact Network, Russia in 2009-11” and elected the Steering Committee of the UNGC, Russia for 2009. The Steering Committee of the UNGC, Russia elected the chairman of the UNGC, Russia for 2009 and in January 2009 signed memorandum about the mutual understanding between the UNGC, Russia and the Global Compact office in New York.

In Russia, the important role in the sphere of social responsibility is assigned to state and public organizations. Russian companies call upon state authorities to initiate dialogue with the businesses on the joint solution of the fundamental problems of Russian society, focusing special attention on the mechanisms of mutually beneficial public-private partnerships, the development of legislation that provides material and moral incentives for business to participate in the solution of public problems through corporate social investments, to increase the possibilities of socially responsible business dealings by fighting against corruption and a total increase in the effectiveness in the work of government apparatus. Business is ready to contribute, together with public authorities, to the development of civic community institutes – participants in state dialogue with business, and to promote ideas of “sustainable development” through education systems, the activities of state and non-commercial organizations and also mass media.

In 2008, the UNDP conducted a survey of Russian company-participants of the UNGC, Russia. It examined the state of the network and its approach towards its own development by providing opportunities for the implementation of the national, regional and municipal programs of corporate social responsibility (CSR) and projects of public-private partnership jointly with the UNDP. The survey was conducted between August and September 2008 and revealed that Russian companies had the following expectations related to their participation in Global Compact:

- Increased status as a result of participating in Global Compact;
- Taking advantage of best practices, as a result of working alongside the UNDP on projects of social and economic development, local self-governance, fight against poverty, anti-corruption, environmental protection, etc.
- Increased recognition (publicity, awareness) in Russia and around the world;
- The positive influence of participation on the company’s corporate reputation;
- Increased international ties (connections);
- Increased access to information on international practices and trends in CSR, PPP and sustainable development;

UNDP in recent years has assisted in the integration of the principles of sustainable development into the corporate structure and strategy of Russian companies, aiming for a long-term sustainable economic outlook. The special role the UNDP plays in assisting in the implementation of the principles of corporate citizenship and sustainable development, through the facilitation of multi-stakeholder dialogue between companies and all other interested parties, from employees to the state. The development of responsible, mutually advantageous relations within this multi-stakeholder system becomes a major factor for sustainable development, both for corporations and for the society as a whole.

The issues of sustainable business development are urgent for business due to the challenges of the current world economic crisis, which enveloped the world economy in 2008. This crisis, in many respects is a crisis of confidence, generated by the pursuit of short-term benefits by many companies, to the detriment of sustainable development, their incapacity and unwillingness to create

a system of mutually beneficial relations with the entire multi-stakeholder system. Only responsible companies will demonstrate a significant ability to overcome the crisis and will become the flag-bearers of future economic recovery and growth.

UNDP provided financial support towards reporting on the issues of corporate social responsibility and social investment. The 2008 "Report on the Social Investments in Russia" was a continuation of the 2004 study of social investments in Russian business, and the report, "From Russia with Love: the National Contribution to the Global CSR Context", compared Russian CSR practice with that of multinational companies. These reports systemized the existing experiences and innovative practices of the responsible conduction of business, developed unified approaches to understanding CSR and social investments, analyzed the dynamics of the changes in the quantitative and qualitative indices of the social investments, and they also developed a number of recommendations regarding the improvement of CSR principles over the following years. Prepared by the RSPP in 2008, the state-of-the-art review of corporate reporting, "Development of socially responsible practices", discusses the development of common practices of corporate social responsibility and corporate responsibility in Russia. The report highlights the growth in the number and expansion of organizations' reporting systems, the development of complex approaches to disclosing information on companies' activities (economic, social and ecological) and the gradual transformation of companies' social responsibility as a tool to perfect control systems in the companies.

Thus, basic priorities in Russia in the sphere of corporate social responsibility and sustainable business development in the territories where they operate, for the coming years are:

- *Introduction of the systematic approach.* Sustainable development cannot be carried out intermittently and be considered only of secondary importance. It should be strategic, include all elements of sustainable development and become one of key components of the strategy of the company.
- *Innovative Approach.* The sustainable development of company must be aimed at a reduction of expenses, not at increasing CSR related expenditures. The innovative approach offers new market possibilities and helps companies to avoid risks. Precise measurement of returns from sustainable development projects – reduction of energy costs, an increase in labour productivity, strengthening the brand, etc.
- The development and implementation of combined *anti-crisis*, corporate social responsibility and sustainable development policies for the duration of the global economic crisis, including its negative impact on employment and its role in increasing social tension in the territories where companies operate.
- *Environmental protection*, since Russian business is forced to deal with the problems of the obsolete infrastructure, the heritage of Soviet epoch, special attention must be given to programs which increase energy-efficiency.
- *Labour.* The creation of modern and safe working conditions, improving the protection of employees' health and increasing the industrial safety.
- *An integrated approach* to solving social, economic and ecological problems. Sustainable development must not be limited to various isolated spheres of social activity, but executed in an integrated and combined approach to social, economic and ecological projects. Companies should concentrate their efforts on those social projects, which are most relevant to their business activities.

SECTION 2: IMPLEMENTATION STRATEGY

The strategy for the realization of the project “Engaging Russian business in GC-driven sustainable development” is designed in accordance with the national aims of the UNDP in Russia between 2008 and 2010.

The project “Engaging Russian business in GC-driven sustainable development” is aimed at the joint development and the implementation of sustainable socio-economic development projects by UNDP in Russia and Russian and foreign multinational companies, who are either currently participants, or anticipate to be participants, of the UNGC, Russia. Participants of the Global Call for Action Against Poverty are also expected to take part in the project activities. The basic priority of the project is development and implementation of projects that aim to minimize the economic, social and environmental fallouts of the financial and economic crisis for the company-participants of the UNGC, Russia in the territories where they operate.

The key expected results of the implementation of this strategy are reflected in the titles of two major components of the project:

Result 1: Dissemination of the 10 UN Global Compact Principles and implementation of those principles in the practices of Russian and foreign companies in Russia.

Result 2: Involvement of participants of the UNGC, Russia and other Russian businesses in applied projects on crisis management and sustainable social and economic development of companies and the territories in which those companies operate.

The strategy of the project is to implement the following two interconnected components/results. Beyond these key results, the project is aimed at achieving the specific objectives of each of the sub-components of the project.

I. Dissemination of the 10 UN Global Compact Principles and implementation of those principles in the practices of Russian and foreign companies in Russia.

The goal of this section is the development of the UN Global Compact Network in Russia and includes two sub-components:

- 1.1. The organizational development of the UN Global Compact Network in Russia
- 1.2. Promoting achievements of the participants of the UN Global Compact Network in Russia

The UN Global Compact Network in Russia is a system of voluntary cooperation between Russian legal entities, signatories of the UNGC, aimed at achieving a balance of their respective interests and providing effective joint activity on the implementation of the 10 principles of the UNGC:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to support greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

1.1. The Organisational Development of the UN Global Compact Network in Russia

The basic measures for assisting the development of the UNGC, Russia are:

- 1.1.1 Training on the UN Global Compact incentives, procedures and opportunities.
- 1.1.2 Training on sustainable development project management.
- 1.1.3 Training for the representatives of Russian printed and electronic mass media on CSR and sustainable development.

- 1.1.4 Developing the methodology for responsible business project results assessment.
- 1.1.5 Study of the results of GC-driven projects and their affect on effectiveness and competitiveness of the companies.
- 1.1.6 Developing guidelines for the implementation of GC-driven projects.
- 1.1.7 Compiling and updating a Code of Best Practices and projects on CSR and sustainable development.
- 1.1.8 Redesign, launch and on-going administration of a new interactive page of the UNGC, Russia on the UNDP web-site in Russia.
- 1.1.9 Joint projects involving participants of the Russian Union of Industrialists and Entrepreneurs.

1.2. Promoting achievements of the participants of the UN Global Compact Network in Russia

The basic measures for promoting the achievements of the participants of the UNGC, Russia are:

- 1.2.1 Development and dissemination of GC-related information, methodological and other awareness-raising and promotional materials.
- 1.2.2 Participation in the international and in-country events of the UNGC.
- 1.2.3 Organizing public events in Russia to demonstrate and disseminate results of the implemented applied projects.
- 1.2.4 Holding GC public awareness events (road-shows) in the territories where the participants of UNGC, Russia operate.
- 1.2.5 Holding Annual National Forum of the UNGC, Russia.
- 1.2.6 The UNGC, Russia annual contest and awards for contributions to sustainable economic, social and environmental development.

II. Involvement of participants of the UNGC, Russia and other Russian businesses in applied projects on crisis management and sustainable social and economic development of companies and the territories in which those companies operate.

This component assumes the development and implementation of applied projects in accordance with international standards and best practices, and will be aimed at addressing problems within the framework of the ten Global Compact principles in the areas of human rights, labour standards, the environment and anti-corruption.

From a business perspective, the applied projects will aim at improving economic effectiveness and competitiveness, including, but not limited to, improving finances through reducing fines/penalties; raising productivity and the quality of labour; efficient use of natural resources and energy-efficient technologies; attracting and retaining the best quality staff; by attracting international business partners; increasing their reputation; by involving suppliers, distributors and consumers, etc.

Basic Areas of Applied Projects

Economy and Business

1. Stimulation of technological, economic and administrative innovations as a basis for modernization and the increase of competitiveness of the economy.
2. Increase of investment appeal of the Russian business within the framework of the Global Compact Principles for Responsible Investment Initiative.
3. Assistance to the applied projects in public-private partnerships, preliminary with reference to infrastructural objects.
4. Support to small and medium-sized business – decrease in administrative barriers, provision of access to sources of finance, establishment of the favorable environment in regions.
5. Assistance in the increase of the business reputation of Russian companies and dissemination of sustainable development results of the leading companies in Russia, within the framework of the Global Compact.

Cooperation of Interested Parties

1. Evaluation of the risks for business' sustainable development related to external business and social environment, optimization of risk management through the meaningful dialogue of interested parties.
2. Coordination of state and business priorities in the field of anti-recessionary measures and long-term economic strategy.

Social policy

1. Company's and regional social policy: minimization of the consequences of the crisis, orientation towards the improvement of human capital quality, the improvement of working conditions and social security.

Regional Development

1. Assistance to the dynamic and proportional development of the regions, overcoming the backwardness of specific territories and the poverty of the population.
2. Improvement of managerial institutions at regional and municipal levels.
3. Estimation of the productivity of social and charity applied projects of companies in regions with respect to the sustainable development of the company itself and local community.

Environment

1. Assistance to the resolution of environmental problems, maintenance of the conformity of Russian companies' activities to international standards of environment protection and energy efficiency.

The project envisions interaction with the participants of the Global Call to Action against Poverty (GCAP) which is a growing alliance of trade unions, community groups, faith groups, women and youth organizations and NGOs working together to follow the promises of the world's leaders to end poverty and inequality.

It is anticipated that applied projects will be aimed at resolving specific problems in the following areas:

HUMAN RIGHTS

1. Cooperating with regional and local state authorities in order to address the problems of controlling the socio-economic risks of a business activities, by identifying, rating, monitoring and preventing human rights abuses during the crisis:
 - Managing the risks of standards of living decreasing in the territories where a company does business: sustaining human resources and consumer demand as essential criteria for stability and business operation and growth in the territory.
 - Managing the risks of employees' loss of livelihood as a result of essential cut-backs in staff: preventing negative social impacts on current production capacity and staff levels and thus being better prepared for post-crisis business expansion.
2. Managing the risks of human rights abuses in labour relations: implementing projects that improve employees' personal responsibility for his/her livelihood also in the case of unemployment, inability to work (whether the employee is culpable or not) or other factors that mean a loss of income, including if the worker her/himself is culpable.
3. Increasing the effectiveness of the control of social risks within the company's corporate administration: informing management and increasing the qualifications of the staff that develop and implement internal company policies, which regulate the adoption and implementation of social risk management policies.

LABOUR

1. Informing managers and increasing the qualifications of staff-members involved in managing the internal business risks related to labour relations: their influence on the company's assets, both tangible (i.e. reduced expenses, production, profitability) and intangible (i.e. reputation, brand value, expertise, competitiveness).
2. Increasing company efficiency through improving management of the corporate ethics as a method of informally regulating labour relations and reducing expenses, increasing productivity and the quality of labour, early identification and pre-emptive action on human rights abuses and conflicts within the company.
3. Improving risk management of labour relations, through cooperation with both formal (e.g. trade unions, collectives, Russian and international human rights NGOs and other public organisations) and informal (e.g. workers' associations) entities.
4. Increasing the qualifications of company managers responsible for conflict prevention, in order to facilitate the early identification and pre-emptive action regarding conflicts in labour relations.
5. Increasing the effectiveness of the company's social programmes affecting relations with employees and members of their families, taking into account the social and economic situation: systematic development and implementation of programmes with fixed indicators of success for each project, their impact on the tangible and intangible assets of a company.

ENVIRONMENT

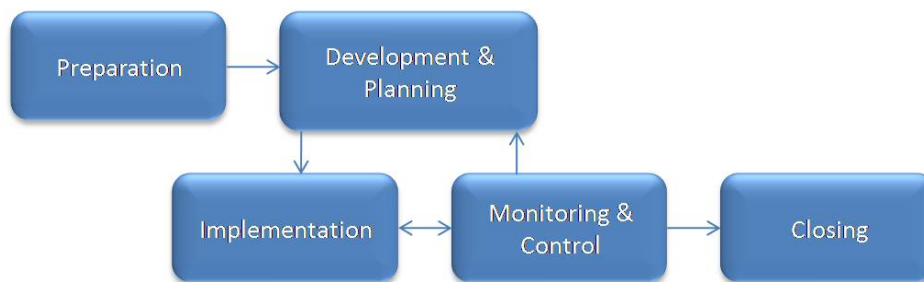
1. Working to minimise the negative effects of a company's operations on the environment.
2. Working to increase the energy efficiency and sustainable resource management without compromising the quality of goods and services, including, but not limited to, the implementation of the following projects:
 - Economizing and recycling computers and other office equipment, paper, magnetic media and other consumables.
 - Using electronic communication systems in preference to hard copies.
 - Minimizing the consumption of fuel electricity and other resources.
3. Reduction in the use of fuels, electricity, water and other resources. Increasing the effectiveness and efficiency of managing the ecological risks to the territories where a company does business.
4. Participating in relevant informative and advertising campaigns on ecology issues and promoting the best energy-efficient operational practices.

ANTI-CORRUPTION

1. Increasing the effectiveness of corporate ethics as an instrument to prevent official offences, including corruption.
2. Including ethical principles in all company dealings with business partners in the industrial chain (in both supply and retail), including the inadmissibility of corruption.
3. Employing information technology, information resources and advertising to prevent corruption.
4. Assisting in developing democratic institutions preventing corruption in government agencies and private sector.

Each applied project is implemented on the basis of five basic stages, each of which, in turn, provides for solution of several interconnected administrative problems:

Project stages



Applied project preparation:

- Problem analysis
- Tender of experts (if experts are to be involved)
- Stakeholder analysis
- Setting aims and targets
- Assessment of the necessary financial and non-financial resources
- Developing the project strategy
- Strategy assessment and approval by stakeholders

Applied project development and planning:

- Defining the indicators of success (KPIs)
- Defining and evaluating the project's risks, and adopting a plan of responses to risks and opportunities that could arise and affect the project
- Developing Terms of Reference
- Adopting the budget
- Signing the agreement with the client company

Applied project implementation:

- Carrying-out tenders and ratifying the agreement with the contractors
- Monitoring and controlling the indicators of success (project KPIs)
- Monitoring and managing the risks and opportunities
- Providing financial and non-financial reporting

Applied project completion:

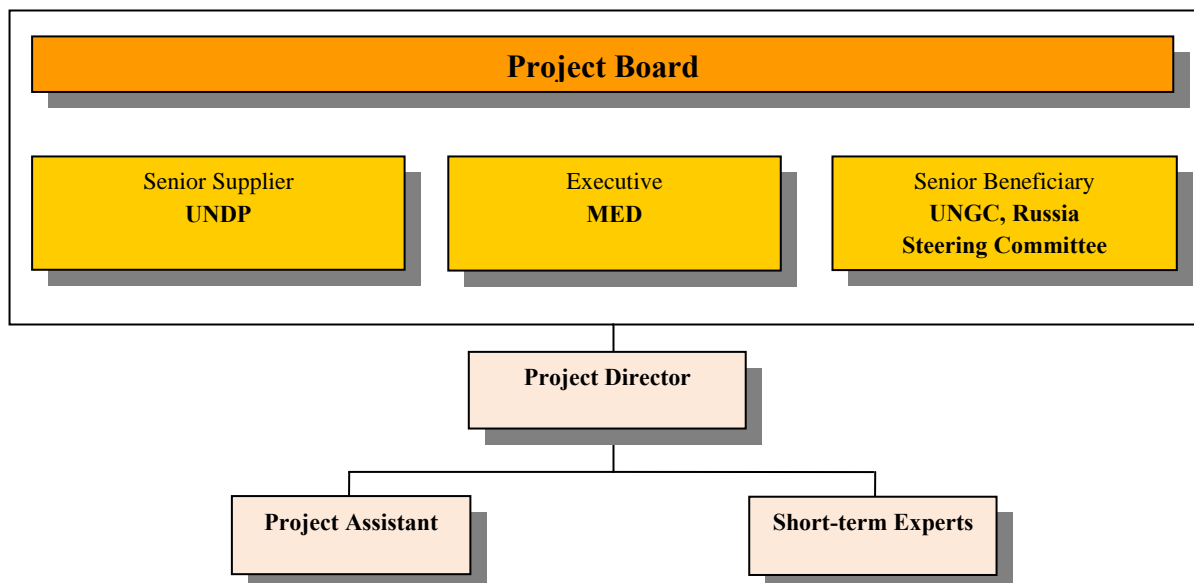
- Assessment of results
- Developing the final Project Report
- Distributing the results

These anticipated applied projects will be funded by means of the cost-sharing agreements between UNDP and partner organizations (companies, NGOs or public organizations). The form of the cost-sharing agreement is given in Appendix 4.

SECTION 3: PROJECT MANAGEMENT

Project provides for the following control structure:

Project Organizational Structure



The project activities will be implemented according to UNDP procedures for national execution (NEX). The Ministry for Economic Development (MED) will be the Executing Agency of the project on behalf of the Russian Government and will appoint a National Project Director who will supervise the project implementation, be accountable for the use of the project funds and the achievement of its objectives, and ensure coordination of the project activities with all relevant organizations and partners in the country on issues pertaining to the project implementation, both substantive and operational.

The strategic supervision and overall guidance of the Project will be ensured through regular meetings of the Project Board in order to review project progress and proposed changes in its course. Technical expertise of UN agencies, international organizations, governmental institutions, NGOs, business community and civil society will be used in the relevant areas of the project implementation.

The project strategy and policy is set by the Project Board, which consists of:

- National Project Director (Chairperson)
- Programme Coordinator, UNDP
- Steering Committee of the UNGC, Russia

The budget management is the responsibility of the UNDP and the Project Board headed by the National Project Director. The intention is that the project's implementation should initially be carried out using the UNDP as a physical headquarter. The Project Board is gathered regularly (not less than twice a year) in order to consider the project's implementation and the immediate funds required.

The responsibilities of the National Project Director and the Project Director are given in appendices 2 and 3 respectively.

The responsibilities of the Steering Committee of the UNGC, Russia include:

- General coordination and monitoring of the project (through the Project Board)
- Confirming the accounts and results of the project
- Participating in the events related to the project, both nationally and internationally.

The National Project Director is _____.

SECTION 4: RISK MANAGEMENT

Risk management should be carried out according to international standards and is crucial, especially considering the current economic crisis:

Project Risk and Opportunity Management



Risk Analysis	Estimated Probability of it Occurring (%)	Estimated Impact on the Success of the Project (%)	Planned Response
Risks, which affect the strategic aims of the project			
Political: administrative crisis of the federal, regional, municipal, etc. authority and hence loss of support from government partners.	20-30	10-20	Risk sharing: the inclusion of critical political risks into the section “Force Majeur” of agreements with project clients and the inclusion in project agreements of a section allowing “project restructuring”. Minimization of risks: the restructuring of projects to address the most urgent risks associated with decreased state support and readjusting other projects accordingly.
Economic: economic crisis and respective lack of support towards project from company-clients or other project sponsors	30-40	70-80	Accepting risks: planned completion of current projects and readjustment of further project portfolio (content and budgets)
Social: unemployment is more than 10% and a critical decrease in the standard of living of population (\$1000-3000 GDP/person per annum) leads to a crisis of confidence and social unrest.	30-40	30-40	Risk sharing with company-clients: the inclusion of critical social risks in the “Force majeure” section of agreements with project clients and the inclusion of a section allowing “project restructuring”. Minimization of risks: restructuring projects in line with actual social risks and adjusting further project portfolios’ content and budgets proportionally to critical social risks.

Risk Analysis	Estimated Probability of it Occurring (%)	Estimated Impact on the Success of the Project (%)	Planned Response
Risks, which affect the operational aims of the project			
Shortage of the personnel (experts, consultants, contractors), who possess the unique knowledge and expertise of development and implementation of anti-crisis socio-economic projects.	10-20	20-30	Minimisation of risks: formation and continuous updating of a project-relevant personnel database from Russia and abroad: referring to this database while this risk occurs.
Growth of unforeseen expenses	0-30	30-40	Transfer the risks: include in agreements with experts, consultants and contractors a section which means they take the risks of changes in market prices upon themselves. Minimisation of risks: create an emergency fund for projects to be used to prevent projects failing due to the growth of unforeseen expenses.
Project completion runs over schedule.	20-30	10-20	Transfer the risks: include a progressive scale of penalties for failures by experts, consultants and contractors to complete contractual obligations on time. Minimisation of risks: create an emergency plan in advance that can be implemented by the Project Manager in this scenario
Extraordinary situations outside of the framework created by an insuperable force	10-20	1-100	Accepting risks: account for “a Force Majeur” in agreements with experts, consultants and contractors
Risks, relating to the validity of documents and accounts			
Absence of or uncertainty about the financial and/or non-financial information of experts, consultants and contractors provided by them while working on the project.	20-40	30-50	Transfer the risks: include in agreements with experts, consultants and contractors provisions for sanctions, resulting from providing incomplete or false information. Minimizing risks: adopt a set of measures, which allow Project Managers to access and/or verify information provided by contractors
Insufficient financial and/or non-financial reporting provided by experts, consultants and contractors on compilations of contractual works.	10-20	100	Transfer the risks: include in agreements with experts, consultants and contractors provision for sanctions, resulting from providing incomplete or false information. Minimise risks: conduct a final inspection of works completed by a collegial commission, and a financial audit of the completed project.

Risk Analysis	Estimated Probability of it Occurring (%)	Estimated Impact on the Success of the Project (%)	Planned Response
Risks, which influence the observance of the UN Global Compact principles and country legislation of Global Compact			
Nonobservance of the UN Global Compact principles by experts, by consultants and by the contractors of project.	20-30	30	Minimisation of the risks: creation by Project Manager of a “Project Ethical Charter”, to be signed by each expert, consultant and contractor, which deals with the ethical fulfillment of their contracts and the repercussions for nonobservance; create a confidential hotline for infringements to be reported; conduct investigations into alleged infringements of the charter.
Infringement of legislation and/or applicable regulation during the implementation of the project	10-20	100	Transfer the risks: include corresponding provision into the agreements with experts, consultants and contractors. Minimisation of the risks: create a confidential hotline for the communication of infringements of legislation and/or standard practice during the implementation of the project and suspend the contract until an investigation can be made.

Project opportunities, revealed in the course of the implementation of the project, are analyzed by the Project Director and are used as the additional material and nonmaterial resources.

SECTION 5: MONITORING AND EVALUATION

Project monitoring and evaluation is conducted in accordance with UNDP policy and the procedures, including, but not limited to, the following:

- Joint development by the Representative Office of the UNDP representative in Russia and by the National Project Director of criteria and procedures of monitoring, aimed at guaranteeing projects are completed in accordance with the plan, outlined in the project documentation.
- Implementation of the Project is coordinated by the UNDP Socio-Economic Programme Coordinator.
- Holding project monitoring meetings with the representatives of the UNDP, the Ministry for Economic Development of Russian Federation, Project Director and the steering Committee of the UNGC, Russia in attendance.
- Conducting an independent external audit in accordance with UNDP rules and procedures upon a project's completion,
- Presentation by the National Project Director of reports (annual and final) about the implementation of the project, which will be discussed at the special meetings. Reports must contain an estimation of current status of the project and recommendation for further implementation of the project.
- on-going oversight of the project and determining the project's general course by Project Board.

SECTION 6: LEGAL ASPECTS

Herewith the Project Document is created in accordance with article 1, paragraph 1 of the agreement between the Russian Federation and the UN Development Programme, concluded on the 17th November, 1993.

Amendments can only be made to a signed Project Document with the agreement of the Resident Representative of the UNDP in the Russian Federation and when all other parties, which signed that same project document, do not have any objections to the proposed amendments.

Amendments to this Project Document may include the following:

1. Amendments or additions to one of the appendices of the Project Document.
2. Amendments necessitated by changes in the scale of investments, due to increases in expenditures as a result of inflation and that do not implicate any substantial amendment to the project's aims, anticipated results and activities set out in the original Project Document.
3. Amendments, that are required to be introduced yearly in accordance with policies and procedures, which relate to changes in the timeframe of the transfer of agreed investments, increases (as a result of inflation) in expenditures, including for expertise, or related to amendments to expenditure lines.

In accordance of article III of the agreement between the Russian Federation and the UN Development Programme, concluded on the 17th November, 1993: the responsibility for the safety and security of the Project Executive Agency, its personnel and property, as well as the UNDP property operated by the Project Executive Agency, is with the Executing Partner. .

The Project Executive Agency should:

- a) Put into place a proper Project Security Plan based on the security situation in the country where the project is carried out;
- b) Assume risks and responsibilities for the security of the Project Executive Agency, and the full implementation of the Project Security Plan.
- c) The UNDP reserves the right to inspect the implementation of the Project Security Plan and, if necessary, to propose appropriate amendments. Failure to implement and maintain a proper Project Security Plan will be regarded as annulling the agreement.

Project Executive Agency agrees to undertake all necessary efforts required to guarantee that none of the UNDP funds, obtained through the Project Document, will be used to support private individuals or entities, connected with to terrorism, and that the recipients of any of the UNDP assistance, not part of the pre-approved list, is approved by the Security Advice Committee in accordance with resolution 1267 (1999). This list can be accessed at <http://www.un.org/sc/committees/1267/consolist.shtml>. This condition must be included in all contracts and agreements, signed within the framework of herewith Project Document.

Appendix 1: Participants of the United Nations Global Compact Network Russia

№	Name	Nature of the Organization	Date Joined
1	Interros – Group of Companies	Company	22.10.2001
2	RUSAL, United Company	Company	27.03.2002
3	JSC Foreign Trade Association - Rosneftegazexport Russian Foreign Trade Association	Business Association, Local	21.05.2003
4	Coordination Council of the International Congress of the Territories of Asia Pacific Countries	Business Association, Local	22.05.2003
5	International Telecommunications Academy	NGO, Global	22.05.2003
6	Russian Union of Industrialists and Entrepreneurs - Employers	Business Association, Local	02.10.2005
7	Medargo Ltd.	SME	12.06.2006
8	Advanced Technologies and Service	SME	22.06.2006
9	Aerofuels Group	Company	22.06.2006
10	Institute for Comparative Social Research - CESSI	SME	28.07.2006
11	Agrotechnopark Mir	SME	21.11.2006
12	SUE Vodokanal of Saint Petersburg	Company	26.03.2007
13	Asset Management of Humane Developing Programs Limited	SME	09.04.2007
14	Foundation for promotion of science, education and medicine development	NGO, Local	11.09.2007
15	Centre for Real Estate Nirlan	SME	25.09.2007
16	Construction concern Edinstvo	Company	25.09.2007
17	ICOS UNESCO IFAP – Russia	NGO, Local	16.11.2007
18	Transaero Airlines	Company	20.11.2007
19	Primorsky Public Movement - Movement of Support of Social Programmes - MART	Business Association, Local	14.12.2007
20	JSC Russian railways	Company	21.12.2007
21	International Fund of Businessmen	Business Association, Local	12.03.2008
22	Volna	Company	21.04.2008
23	Agency for Social Information	NGO, Local	01.05.2008
24	Social Investment Corporation	SME	01.05.2008
25	National Agency of Industrial Marketing	NGO, Local	07.05.2008
26	Lukoil	Company	17.06.2008
27	OJSC "Territorial Generating Company No.5"	Company	27.06.2008
28	Coco-Cola HBC Eurasia, LLC	Company	06.03.2009
29	International Assembly of Business Contacts	SME	11.03.2009
30	NGO “Club of Corporate Philanthropists”	NGO, Local	14.04.2009
31	NGO “Corporate Social Responsibility- Russian Centre”	NGO, Local	14.04.2009

Appendix 2: The Responsibilities of the National Project Director

The National Project Director is a civil servant, who is assigned to this position by the National Executing Agency and assigned powers and responsibilities to coordinate and manage the Project. This position is unpaid. The National Project Director is responsible to the National Executing Agency and the UNDP for achieving the project's aims, for the proper use of project resources, and also for coordination of the UNDP project with other UN programs and projects.

Basic responsibilities of the National Project Director:

- Approving project schedule, budget and also, if necessary, of Project inspections;
- Serving as a Chairperson of the Project Board;
- Assigning, together with the UNDP, the executive agencies to implement the components of the Project , and coordinate their work;
- Supervising that the Project is implemented in accordance with Russian legislation;
- Approving the Terms of Reference and managers' and experts reports;
- Assigning project employees to their positions;
- Approving purchases to be executed within Project's budget;
- Approving financial reports, including the annual financial expenditures report;
- Interrelation and co-operation with the federal/regional authorities during the implementation of the project;
- Reporting to the National Executing Agency, the UNDP and the Project Board about the use of project resources and achievement of targets.

The National Project Director can transfer part of her/his responsibilities to the Project Director when this does not prevent normal implementation of the Project.

Appendix 3: Responsibilities of the Project Director

The Director works under the direct supervision of the chief of UNDP's Social and Economic Development, and attends to the management of projects in sphere of social and economic development. The Director of the project analyzes the economic and social situation as a whole in the country and in separate regions, is responsible for the general management, project coordination, and successful fulfillment of project activity. The Project Director oversees the activity of project staff and co-ordinates the work of consultants and the experts involved in the implementation of the project. The Project Director works in close cooperation with the UNDP's national office, other UN agencies, multilateral and bilateral donors, private and government enterprises, and non-commercial and public organizations.

Basic responsibilities of the Project Director:

- Organizing project's activities according the project template;
- Monitoring the project's implementation and evaluating its results in accordance with UNDP policies and procedures;
- Control of the preparation of the project's budget;
- Guarantee the achievement of the long-term, sustainable results of the project and defining the basic direction of a projects further implementation;
- Regularly report to the UNDP and the Project Board;
- Managing the project's risks;
- Proper operational, financial and administrative managerial control of the project in order to ensure its observance of UNDP policies and procedures, assets management and overseeing the working hours of staff;
- Participate in the audit of the project and taking account of its recommendations;
- Determining the necessary amendments, coordinating and revising the budget, closing the project;
- Assisting in the creation of public-private partnerships;
- Mobilization of tangible and intangible resources of specific government sectors in the interests of the project;
- Cooperation of the UNGC, Russia, its participants and leaders;
- Cooperation with state representatives, regional and local authorities in order to discuss methods for implementing the project, problems that arise and trends, associated with the project;
- Preparing the necessary duties and terms of reference that project staff require, in order to ensure the implementation of the project, involvement in the recruitment of staff;
- Producing contracts, including for technical tasks to be completed by contractors and also coordinating the selection of contractors;
- Development and implementation of plans furthering the project: engaging with mass media, updating an internet site for the project, preparation and distribution of information about the project;
- Organizing and conducting training sessions for project staff (if necessary).

Appendix 4: Cost-sharing Agreement

[On letter head of the Donor]

Date

Dear Sir/Madam:

I am pleased to inform you that the _____ (hereinafter referred to as the “Donor”) has decided to make a contribution of [written out]_____ [in numbers]_____ [not exceeding US \$ 100,000 over the life of the Project], (hereinafter referred to as the “Grant”) to the United Nations Development Program (hereinafter referred to as “UNDP”), a subsidiary organ of the United Nations, an international organization established by treaty, represented by its Resident Representative, with offices at _____, for [insert project reference] (details attached).

The contribution shall be deposited to the following Bank and account:_____.

The Donor will inform UNDP when the contribution is paid via an e-mail message with remittance information to contributions@undp.org

UNDP shall receive and administer the contribution in accordance with UNDP’s Financial Regulations and Rules, policies and procedures, and on the following terms and conditions:

- 1) The Contribution shall be paid in accordance with the following schedule: _____.¹
- 2) The above schedule of payments takes into account the requirement that the payments shall be made in advance of the execution/implementation of planned activities. It may be amended to be consistent with the progress of project delivery.

[The following paragraph (3) should be included only in the event that the contribution is not in US dollars]

- 3) The value of the payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Donor with a view to determining whether any further financing could be provided by the Donor. Should such further financing not be available, the assistance to be provided to the project may be reduced, suspended or terminated by UNDP.
- 4) This Grant will be used exclusively for the Project [...insert reference].
- 5) In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery for indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services. To cover these GMS costs, the contribution shall be charged a fee equal to 7%. Furthermore, as long as they are unequivocally linked to the specific project(s), all direct costs of implementation, including the costs of executing entity or implementing partner, will be identified in the project budget against a relevant budget line and borne by the project accordingly.
- 6) The contribution and activities financed there from shall be subject exclusively to internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP. Should an Audit Report of the Board of Auditors of UNDP to its governing body contain observations relevant to the contributions, such information shall be made available to the Donor.
- 7) The contribution and activities financed there from shall be subject exclusively to internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP. Should an Audit Report of the Board of Auditors of UNDP to its governing body contain observations relevant to the contributions, such information shall be made available to the Donor.
- 8) (a) The Donor shall not use the UNDP name or emblem, or any abbreviation thereof, in connection with its business or otherwise without the express prior written approval of UNDP in each case. In no event will authorization be granted for commercial purposes, or for use in any manner that suggests an endorsement by UNDP of [...], its products or services.

¹ It is recommended that country offices negotiate the number of installments to ensure at least six months’ anticipated disbursements are funded with each installment. This will make processing of contributions and reporting more efficient for the country offices.

(b) The Donor acknowledges that it is familiar with UNDP's ideals and objectives and recognizes that its name and emblem may not be associated with any political or sectarian cause or otherwise used in a manner inconsistent with the status, reputation and neutrality of UNDP.

(c) The Donor may make representations to its shareholders and internal budget officials as required about the fact of the contribution to UNDP. Any other use of the UNDP name or emblem, and any other form of recognition or acknowledgement of the contribution of the Donor are subject to consultations between the Parties, and the prior written agreement of UNDP.

(d) UNDP will report on the contribution to its Executive Board in accordance with its regular procedures regarding contributions from private donors. Other forms of recognition and acknowledgement of the contribution are subject to consultations between the Parties, but the manner of such recognition and acknowledgement shall be determined at the sole discretion of UNDP.

9) (a) The parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this agreement or the breach, termination or invalidity thereof. Where the parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with UNCITRAL Conciliation Rules then obtaining, or according to such procedure as may be agreed between the parties.

(b) Any dispute, controversy or claim between the Parties arising out of or relating to this agreement or the breach, termination or invalidity thereof, unless settled amicably under the preceding paragraph within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, shall be referred by either party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining. The arbitral tribunal shall have no authority to award punitive damages. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

10) Any payments that remain unexpended after all commitments and liabilities have been satisfied shall be disposed of by UNDP in consultation with the Donor.

11) Nothing in this agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including UNDP.

12) The Donor and UNDP will consult with each other in respect of any matter that may arise from or in connection with the Grant.

13) This letter and your acceptance of this contribution on the terms set forth herein shall constitute an agreement between _____ and UNDP on the subject matter hereof.

Sincerely yours,

Acceptance:

Signature

Name, Title, Date

Signature

Name, Title, Date