



IFC

**International
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World Bank Group



*Promoting
Corporate Social Responsibility
in Emerging Markets*



Combining its private sector expertise, local reach and global leverage, IFC is ideally placed to mobilize the resources needed to promote Corporate Social Responsibility (CSR) in emerging markets.

“Our experience shows that there is a clear and strong business case for effectively managing social risk and recognizing that a company's responsibility to its stakeholders may extend beyond its core operations”

Rachel Kyte, Director of the Environment and Social Development Department at IFC

Promoting Corporate Social Responsibility in emerging markets

Corporate social responsibility (CSR) is no longer a trend just among large multinational companies operating in developed countries. More and more emerging market companies are seeing the value of committing to responsible business practices. A strong strategy and reputation as a responsible business can help these companies build trust with local stakeholders thereby establishing a local license to operate. Better ways of approaching employee concerns, such as progressive labor relations, have also been shown to enhance productivity and reduce costs associated with recruitment and turnover.

A visible commitment to CSR can help emerging market firms attract multinational partners, access international sources of capital, and reach socially-conscious consumers with their products and services. It also better positions IFC investments to make lasting contributions to local development.

Recognizing a growing need for support in this area among client companies and the wider private sector, IFC works through its Social Responsibility practice area to make advice and tools available to help emerging market firms incorporate CSR into strategic business planning and communications processes.

Helping to grow responsible businesses

IFC's Social Responsibility practice area develops tools and business models and supports companies directly in developing strategies and implementing projects in three broad areas:

1. Community Development and Stakeholder Engagement
2. CSR Strategy and Communications
3. Labor Practices and Human Rights at work

Each area of engagement is designed to improve business performance by addressing key CSR issues. By demonstrating the business and the social benefits of CSR, the program aims to encourage companies throughout emerging markets to mainstream CSR into their business operations.

Lessons and best practices collected from these initiatives are used to develop and actively disseminate innovative approaches and products that can be utilized by the private sector more widely in emerging markets.



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Local Community Development and Stakeholder Engagement

The Social Responsibility team has gathered substantial expertise in Local Community Development and works with IFC clients to design programs with direct links to business needs and competencies, while also ensuring relevance to local development needs. Our work focuses on health, education, and income generation activities for local communities, and targets socially excluded groups such as rural populations, indigenous people, and women.

The objective is to ensure that the stakeholders impacted by investments are empowered to participate in and benefit from the local community development efforts led by the private sector

Products and services:

- ▶ stakeholder mapping and needs assessments
- ▶ stakeholder capacity building
- ▶ local community development planning
- ▶ strategies for livelihood and income generation

CSR Strategy and Communications

IFC recognizes the important role that an integrated CSR strategy combined with effective communications can play in creating reputational and business value for a company. Companies that communicate well can also encourage greater uptake of CSR among peers and competitors. The Social responsibility practice area thus helps businesses to not only understand and operationalize CSR in their core activities, but also to articulate their vision to stakeholders.

Products and services:

- ▶ assessments of social and environmental opportunities and impacts
- ▶ benchmarking of CSR practices
- ▶ design of CSR strategies and action plans
- ▶ CSR awareness raising

Cairn Energy India Ltd

IFC assisted Cairn Energy to enhance its contributions to local development. The Social Responsibility practice area supported the first and only thorough analysis of the business environment in the region and brought on board an experienced CSR specialist to provide advice and expertise to Cairn. The project has resulted in a larger 3-year enterprise program and valuable partnerships forged with local authorities, NGOs, and other organizations. Projects implemented through such partnerships have included building or repairing rainwater harvesting systems in 600 villages and enhancing school infrastructure in 9 locations - in many cases leading to dramatic increases in student attendance (40% over the past year in one of the schools).

Komi Aluminium

In connection with an investment in Russia's Komi Republic, IFC's Social Responsibility team helped the company build capacity among stakeholders so that local people could participate equitably and effectively in public consultation processes. The company saw this project as an opportunity to mitigate risks related to adverse local perceptions about the company's transparency, and credibility. As the project ended, the company continued to maintain its focus on stakeholder engagement programs, which have proven valuable in resolving conflicts. This model of engagement has already been replicated in Africa with another IFC client.

Manila Water Company

IFC helped Manila Water Company, a privatized provider of water and wastewater services to metropolitan Manila in the Philippines, to establish a management framework and performance indicators for CSR, and to report its performance in its first Sustainability Report in 2004. The initiative paved the way for a successful IPO and has earned the company numerous awards from business associations in the Philippines, encouraging others to follow.



Courtesy Manila Water Company

Dana Gas

The Social Responsibility team has worked with Dana Gas, a natural gas resource company in the United Arab Emirates, to position the company as a regional leader in CSR. IFC is helping Dana Gas establish policies, principles, and processes for social responsibility based on regional particularities and sustainability priorities for the gas sector.



International Labour Organization

Labor practices and human rights at work

In April 2006, IFC introduced a new Performance Standard on Labor and Working Conditions, based on international best practice, including the Core Labor Standards. This provides the most comprehensive treatment of labor standards by an international finance institution to date. In addition, IFC is developing tools and partnerships to help the private sector in emerging markets create financial and reputational benefits through improved approaches to labor management.

The Social Responsibility team works with the private sector and in partnership with international institutions and global NGOs to provide alternatives to child labor and to remedy discrimination in the workplace. In addition, the program is exploring the opportunities to help emerging markets companies understand and work with human rights issues associated with business operations and the workplace.

Products and services:

- human rights impact assessment guide
- supply chain analysis
- worker-management relations
- assistance in improving health and safety

Improving labor standards in global supply chains

IFC and the International Labour Organization (ILO) are working together to improve working conditions in a number of industries - including garments/footwear, agriculture, and light manufacturing - With an initial focus on MENA and Sub-Saharan Africa. The Better Work Program builds on the ILO's experience with Better Factories Cambodia to provide monitoring systems and capacity building programs for the private sector, governments, and labor monitors.

Human Rights Impact Assessment guide

The Social Responsibility practice area is developing a Human Rights Impact Assessment guide in partnership with the International Business Leaders Forum (IBLF). The objective of this work is to help companies identify the Human Rights issues associated with their business, provide them with a process to manage and mitigate these impacts, and help them actively engage with their stakeholders on Human Rights issues in the workplace.

What IFC brings:

- *Technical Assistance in early diagnostics, strategic planning, and implementation*
- *CSR experience from IFC operations across the globe*
- *The expertise of IFC environmental and social staff*
- *Linking clients into international CSR networks and initiatives*



Courtesy MPDF

Sustainable bamboo brings benefits throughout supply chain

An agricultural training program supported by IFC is increasing the income of farmers in Thanh Hoa, one of the poorest provinces in Vietnam, through the sustainability enhancements to the bamboo supply chain. Through provision of training and technical assistance, 533 ha of new bamboo plantations will be ready for harvest by 2010 and will generate roughly \$159,000 in local income from 2010 onwards.

Challenge:

Thanh Hoa is one of the poorest provinces in Vietnam, where 85% of the population live in rural areas and have an annual per capita income of around \$176. Bamboo production is a major source of income for farmers in the province and a major source of material supply to a plywood production company (TBF) supplying eco-friendly bamboo flooring to IKEA.

TBF previously received about 70% of the total supply of bamboo from the area as unprocessed raw material from local growers. This only allowed TBF to utilize about 20% of a whole bamboo culm purchased. The remaining 80% was considered waste and sold very cheaply or even burnt. IFC saw an opportunity to better organize bamboo growers in the industry's supply chain, making the supply of bamboo more sustainable and efficient, and boosting direct relations between growers and TBF factory.

An integrated approach:

Through the Social Responsibility program and Mekong Project Development Facility, IFC teamed up with the Asian Development Bank to train local farmers in sustainable practices for planting and

growing bamboo. The initiative has also actively built up relationships between the farmers and TBF to facilitate a more reliable and efficient supply of bamboo, thereby increasing the returns to farmers. A decentralized bamboo pre-processing unit to turn bamboo culms into slats was piloted to further improve the supply process.

Strengthening returns all round:

To date, the project has been instrumental in creating over 200 new jobs in planting and cultivation of bamboo. The project also established two village-based preprocessing units, employing nearly 100 people. Replication of this village-based model has already occurred in six other locations. The average wage in the preprocessing units is \$45 per month - three times the local average. Furthermore, it's estimated that over 80% of workers in preprocessing units come from ethnic minorities and over 60% are women.

By providing information on bamboo pricing, the local bamboo factory's quality requirements, as well as organizing farmer groups, the project has significantly strengthened local people's position in the bamboo value chain. Coupled with rising demand, this has already resulted in a 20% increase in bamboo prices, bringing benefits to the entire region.

With farmers better linked into the bamboo supply chain, TBF has started seeing multiple benefits of a better organized business and improved relationships with processors.

A feasibility study has been conducted with input and funding from Oxfam to assess replication potential in Lao PDR and Cambodia.



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At IFC our mandate is to further sustainable economic development through the private sector. We pursue this goal through innovative solutions to the challenges of development, as we invest in companies and financial institutions in emerging markets and as we help build business skills. We consider positive development impact an integral part of good business, and we focus much of our effort on the countries with the greatest need for investment. We recognize that economic growth is sustainable only if environmentally and socially sound and helps improve the quality of life for those living in developing countries.

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*Cover photo courtesy of International Labour Organization.
A woman working in a garment factory at the outskirts of
Phnom Penh city.*