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Strategic Community Investment

A Quick Guide

Highlights from IFC's Good Practice Handbook

IFC International Finance Corporation
World Bank Group

About the Quick Guide

This Quick Guide is intended as a summary document, providing some of the key highlights and messages from *IFC's Good Practice Handbook on Strategic Community Investment.* Users wanting a more in-depth level of guidance and further project examples should refer to the Handbook.

The Quick Guide was prepared by IFC Staff (Debra Sequeira, Senior Social Development Specialist, and Maria Arsenova, Operations Officer) in the Corporate Advice Department. Graphic design was done by Studio Grafik and editing by Daria Steigman. The *Quick Guide* draws its content from the larger *Handbook* to which there were many contributors and collaborators. Their contributions are acknowledged therein.

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Good Practice Principles for Strategic Community Investment

1. STRATEGIC

- ✓ **Activities flow from a well-defined strategy** (objectives, criteria, guiding principles) linked to a clear business case and assessment of risks and opportunities
- ✓ **Addresses both short and long-term objectives** through a strategic mix of investments
- ✓ **Focuses selectively on a few key areas for greatest impact** where the company can most effectively leverage its unique role and competencies to address community priorities
- ✓ **Looks beyond financial resources** and considers how to make best use of company assets, resources, expertise, advocacy, and relationships to benefit local communities
- ✓ **Evolves with the business phase** and uses different approaches along the project cycle

2. ALIGNED

- ✓ **Aligns the strategic issues of the business with the development priorities** of local communities, civil society, and government to create "shared value"
- ✓ **Coordinates CI with other company policies and practices that affect communities**, such as impact management, stakeholder engagement, and local hiring and procurement
- ✓ **Promotes cross-functional coordination and responsibility** for supporting CI objectives among all business units that interact with local stakeholders

3. MULTI-STAKEHOLDER DRIVEN

- ✓ **Positions the company as a partner in multi-stakeholder processes** rather than as the principal actor in promoting local development
- ✓ **Recognizes that a multi-stakeholder approach reduces company control** but adds value by building local ownership and complementarity around shared interests
- ✓ **Supports communities and local governments** in defining and meeting their own development goals and aspirations through participatory planning and decision making

4. SUSTAINABLE

- ✓ **Seeks to avoid dependency, encourage self-reliance, and create long-term benefits** that can outlast company support
- ✓ **Does not commence activities without a viable exit or handover strategy**
- ✓ **Invests heavily in capacity building, participatory processes, and organizational development** to enable local communities, institutions, and partners to take progressively greater roles and responsibilities
- ✓ **Reinforces, rather than replaces, indigenous institutions and processes** where feasible

5. MEASURABLE

- ✓ **Measures return on community investment** to both the company and the community
- ✓ **Uses outcome and impact indicators** to measure the quantity and quality of change
- ✓ **Tracks changes in community perceptions** to gain real-time feedback on performance
- ✓ **Uses participatory methods of monitoring and evaluation** to build trust and local ownership of outcomes
- ✓ **Proactively communicates** the value generated by CI to internal and external audiences

Introduction

Companies around the world engage in community investment efforts as a way to promote development and benefit local stakeholders in their areas of operation. Done well, community investment can help establish mutually beneficial relationships between a company and its local stakeholders, contribute toward long-term improvements in the quality of life for local communities, and help create an environment conducive to private investment.

For IFC, strategic community investment (CI) involves *voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment, in ways that are sustainable and support business objectives.*

Good practice in this area is evolving. Companies are moving away from philanthropic donations and *ad hoc* practices to more sophisticated and strategic ways of planning and delivering their community investment programs. There is greater emphasis on the business case—on viewing CI through the lens of risks and opportunities, and on creating "shared value" by aligning business goals and competencies with the development priorities of local stakeholders. Other trends include a focus on building social capital and local ownership through multi-stakeholder processes; factoring sustainability and handover strategies into project design; and measuring and communicating results to optimize the business value derived from CI.

While the biggest contribution a company normally makes is in the positive impact of the business itself—through employment, contracts, its supply chain, and payment of taxes—voluntary community investment programs offer an important additional avenue for enhancing positive impacts and socioeconomic benefits. Through CI, companies support capacity building, livelihoods development, skills transfer, and access to social services and infrastructure, often in contexts where the levels of poverty, social risk, and expectation are high, and where business and communities compete for the use of land and natural resources.

While this publication focuses on voluntary programs, a strategic approach encourages companies to think creatively and cross-functionally about the many different ways to increase the "share of the pie" that goes to the local population. This means tapping into

the full spectrum of what the private sector has to offer—from opportunities linked to the core business and supply chain; to business competencies, assets, and know-how; to leverage with key contacts, networks, and partners. In this sense, CI may be viewed as a strategic tool that can be combined with other efforts to generate value for both the business and its neighboring communities.

Community investment goes hand-in-hand with a company's stakeholder engagement efforts. Experience shows that these types of upfront investments in relationship-building with local communities and partners can pay significant dividends during times of conflict or crisis.

WHAT COMMUNITY INVESTMENT IS NOT

Community investment is added-value investment. It should not be confused with a company's obligations to mitigate or compensate local communities for environmental and social impacts caused by the project. These issues are addressed separately under IFC's *Social and Environmental Performance Standards.* Nevertheless, the two are interrelated components of a holistic approach for managing company-community relationships.

PUTTING THE APPROACH INTO PRACTICE: A STRATEGIC PLANNING FRAMEWORK FOR CI

This *Quick Guide* (as well as the larger *Handbook* from which it draws) is organized around seven key areas comprising a comprehensive strategic planning framework for community investment. Developing a CI strategy is an iterative, multi-step process with some steps taken internally by the company and others requiring engagement, feedback, and multi-stakeholder processes.

Figure 1: 7 Steps for Developing a Robust Community Investment Strategy

1. From Well-Meaning to Strategic

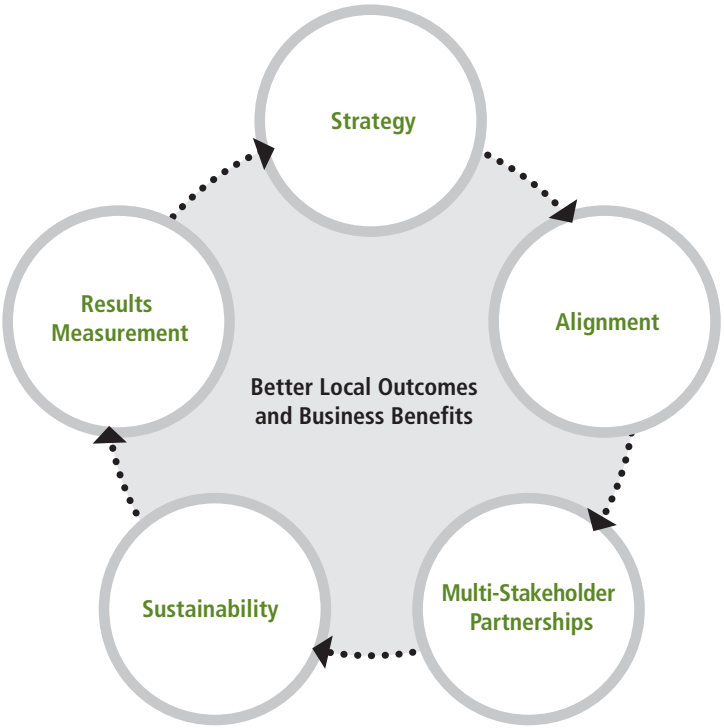
What Some Companies Say About Community Investment Challenges
"We spend lots of money on CI, but relations with communities don't improve (and sometimes even deteriorate)"
"Our CI program has become a source of conflict among communities"
"Local stakeholders have become dependent on us"
"Infrastructure projects we built lie abandoned and unused"
"There are endless requests from communities—how do we say no?"
"We get pulled in a hundred different directions"
"We've ended up having to take over the government's role"
"Our CI program has little to do with our core business"
"We are doing all these good things for the community, but no one gives us any credit"
"In the end, we have little to show for all the resources we've spent"

12 REASONS "OLD-STYLE" COMMUNITY INVESTMENT HAS UNDERPERFORMED

Achieving long-term, positive community development impact through company-supported initiatives can be a complex and challenging endeavor. Many programs do not deliver to their full potential — for either the company or the community — despite the considerable time, goodwill, and resources invested. In some cases, poorly planned CI has given rise to negative attitudes about the company by creating dependencies and generating conflict around the distribution of benefits. Contributing factors include:

1. Limited understanding of the often complex local context
2. Insufficient participation and ownership by local stakeholders
3. A perception of *giving* rather than *investment* (including lack of clear objectives)
4. Detachment from core business strategy and competencies
5. Responding to local requests in an *ad hoc* manner
6. Lack of professionalism and business rigor
7. Insufficient focus on sustainability
8. Provision of free goods and services
9. No exit or handover strategy
10. Overemphasis on infrastructure and underemphasis on skills building
11. Lack of transparency and clear criteria
12. Failure to measure and communicate results

Figure 2: Key Elements of Strategic Community Investment



ELEMENTS OF A STRATEGIC APPROACH

In learning from these past experiences, companies seeking to break out of a low-results pattern are beginning to adopt new approaches and ways of engaging with their local stakeholders. Strategic CI encompasses five elements that reinforce one another: strategy, internal and external alignment, multi-stakeholder partnerships, sustainability, and results measurement. The goal is to create lasting improvements in the quality of life for local communities, which in turn generate business value for the company in the form of broad community support, reputational benefits, risk reduction, productivity gains, and/or competitive advantage.

THINKING STRATEGICALLY: SOME GOOD PRACTICE POINTERS

✓ **Don't Skip the Strategy**

An *ad hoc* approach (reacting to community requests as they arise) is the opposite of being strategic. Having a good strategy enables a company to direct its CI efforts with purpose. This lowers the risk of unintended outcomes and increases the chances that CI objectives will be achieved.

The process by which a company engages its local stakeholders and partners, and the spirit in which this is done, are as important to the success of CI as the strategy itself.

BOX 1: WHAT A GOOD COMMUNITY INVESTMENT STRATEGY SHOULD DO

- **Set out a 3-5 year plan** for the company's community investments
- **Establish CI strategy objectives** that are linked to the business case
- **Identify target stakeholder groups** and specify eligibility criteria
- **Link the CI strategy to the local context** by drawing upon socioeconomic baseline studies
- **Establish an iterative process of engagement** with local stakeholders and partners on CI
- **Draw on the company's core competencies and resources** to support communities
- **Promote cross-functional coordination and accountability** for supporting CI objectives
- **Integrate CI with other company programs that involve communities** (stakeholder engagement, grievance process, environmental and social impact management, and local hiring and contracting)
- **Set out criteria and guiding principles** against which all CI proposals will be screened
- **Identify the key program areas** in which the company will invest
- **Identify the implementation model** and decision-making / governance structures
- **Define roles and responsibilities**, budget, scope, and timeline
- **Describe the company's exit / handover and sustainability strategies**
- **Consider both short-term and long-term objectives**
- **Describe how project results will be monitored and communicated**

✓ **Manage the Big Picture First**

Community investment is only one part of managing overall company-community relationships and cannot succeed if more fundamental project issues or conflicts are unresolved. It is advisable for companies to have the following broader policies and practices in place before embarking on CI:

- Stakeholder Engagement[1]
- Community Grievance / Conflict Resolution Mechanisms
- Environmental and Social Impact Management
- Local (Community) Hiring and Procurement

✓ **Invest in Process**

The process by which a company engages its local stakeholders and partners, and the spirit in which this is done, are as important to the success of CI as the strategy itself. The building blocks of CI—trust, mutual respect, goodwill, capacity, shared learning, and local ownership—are all developed through an ongoing and iterative process of collaboration. Getting it right involves focusing less on the number of meetings organized and more on the *quality* of the interaction. This implies a long-term investment of company time and resources in establishing and maintaining a process that local people find meaningful and empowering.

✓ **Build on Core Competencies and Business Links**

A strategic-minded company tends to support CI programs and activities in areas where it, as a business, has the most to offer and where there are links to its business interests. In addition, leveraging non-financial company resources can increase efficiency and multiply the value that business can deliver. This is important because development needs inevitably outstrip CI budgets.

Figure 3: Community Investment Linked to Business Competencies and Resources[2]

Deutsche Bank's employee volunteer program capitalizes on a core competency – its microfinance know-how – to deliver high-quality pro bono consulting services to microfinance institutions in emerging markets.

Nestlé supports the Philippine government's "Donate-a-Classroom Program" to help alleviate the critical shortage of classrooms. Under the program, the company donates space in its local factories to be used as public school classrooms.

Microsoft and the Aga Khan Foundation have partnered to establish Community Technology Learning Centers in remote rural areas of Pakistan to foster new social and economic opportunities.

Somboon Potash Mine worked with local farmers in Thailand to increase yields through the use of fertilizers (of which potash is a key ingredient).

Google Earth uses its cutting-edge technology to help Amazonian Indians monitor forest destruction.

Himal Power leveraged its contacts with UNDP and the Nepal Government to create a rural electrification system for surrounding villages.

Shell Foundation was able to bring domestic banks and other investors to the table to unlock access to finance for micro-entrepreneurs.

Apollo Tyres sends its master trainers to educate its supply chain partners on awareness and prevention of HIV/AIDS. Point-of-tire sales have also become an important avenue for disseminating health information to consumers.

"If you go back 15 years it was a contest of who was giving the most. Now it's about the effectiveness of what you do."

—IBM Corporate Citizenship Executive[4]

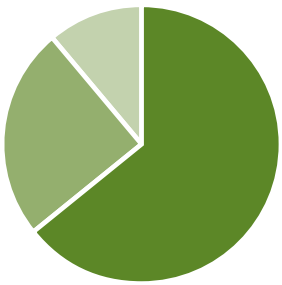
✓ **Go for Quality, Not Quantity**

A study of sixty international companies operating on six continents concluded that "there is no correlation (and sometimes even an inverse correlation) between the amount of money a company spends on community projects and the quality of their relationship with the community."[3] Past experience shows that companies that focus on high-quality initiatives in a few, well-defined areas tend to achieve greater impact and recognition than companies with CI programs that spread resources across many different types of activities.

✓ Think Short-Term and Long-Term (but Emphasize Long-Term)

Any good strategy will have both short-term and long-term objectives. Different types of investments can be used to respond to business needs at various stages of the project. While it is not realistic to expect every activity a company supports to have sustainable long-term impacts, productive investments with lasting benefits should ideally make up the bulk of the CI portfolio. The benefits of quick impact projects and donations need to be weighed carefully against the risks of creating dependency.

Figure 4: Different Types of Investments for Different Business Phases and Objectives



Quick Impact Projects
High visibility projects (sometimes referred to as "ribbon cutting"). These can be done quickly in the early stages to create goodwill, demonstrate tangible benefit, and gain social license. Example: Infrastructure projects.

Long-Term Investments
Productive investments that build local capacity over time. These support longer-term business objectives such as risk management, reputation, productivity, and sustainability. Example: Skills building and livelihoods support.

Discretionary Funds
Donations fully driven by requests from the community. While often short-term and ad hoc, allow the company to be seen as responsive to local needs. Example: Support for local festivals and sports, or donation of supplies.

✓ Use Communications as a Strategic Tool

Companies can optimize the business benefits derived from CI by ensuring that stakeholders are informed about these investments and the value they create. Having both internal and external communications plans for CI, and implementing these proactively, can yield a number of important benefits, from boosting corporate reputation to promoting a collective sense of pride among staff.

Table 1: Benefits of Having a Communications Strategy for CI

External Communications Benefits	Internal Communications Benefits
• Increases program transparency • Reduces the spread of misinformation • Serves as a two-way channel for feedback from stakeholders • Builds interest and buy-in from civil society and government • Strengthens corporate image among the public and industry peers • Improves risk management • Strengthens brand value / reputation • Increases appeal to financial investors	• Helps secure internal support and resources for CI (through communication of the business case) • Builds company-wide understanding and appreciation of the purpose of CI and the link with business goals • Promotes a collective sense of pride and goodwill among staff by doing something positive for communities • Leverages External Relations / Communications staff in support of CI

2. Assess the Business Context for CI

"The ability to demonstrate good social and community development practices makes us an attractive partner for governments, opening up new business opportunities."

—ArcelorMittal[5]

FOCUS ON THE BUSINESS CASE

In a strategic approach, there is a direct link between a company's community investment objectives and its business objectives. Leading companies are able to articulate to shareholders a clear business case for pursuing a CI program. Evidence suggests that closer alignment between business operations and CI programs produces better outcomes for both the company and local communities.

BOX 2: WHY COMMUNITY INVESTMENT PROGRAMS PERFORM BETTER WHEN THEY ARE ALIGNED WITH THE BUSINESS

- When CI is aligned with a company's business strategy, it is likely to receive more internal support and resources from management and shareholders
- When CI programs are integrated with business operations (rather than implemented separately), it enables more effective coordination with other business units on the day-to-day interactions and issues that can impact the company-community relationship
- When the link between CI and business objectives is understood by staff and management, core competencies and resources across the business can be more readily accessed and leveraged for the benefit of local communities
- When CI is geared toward specific business objectives, activities tend to have greater focus and direction than when the purpose is not well-defined
- When CI has a clear business case, it makes the program more resilient to budget cuts (versus pure philanthropy, which tends to disappear during economic downturns)
- When a company is clear about why it supports CI and what it hopes to achieve, the "return" on investment can be more readily measured and articulated

LINK CI STRATEGY TO BUSINESS DRIVERS

Channeling development benefits to local communities through CI can generate a wide range of direct and indirect business benefits. The pursuit of these benefits, or "business drivers," is what motivates companies to support CI programs. Once a company identifies the key business drivers to which CI can most readily contribute (such as gaining a "social license" to operate in the case of a mine or a hotel, or meeting global certification standards in the commodities sector), these can then be used to drive the strategy.

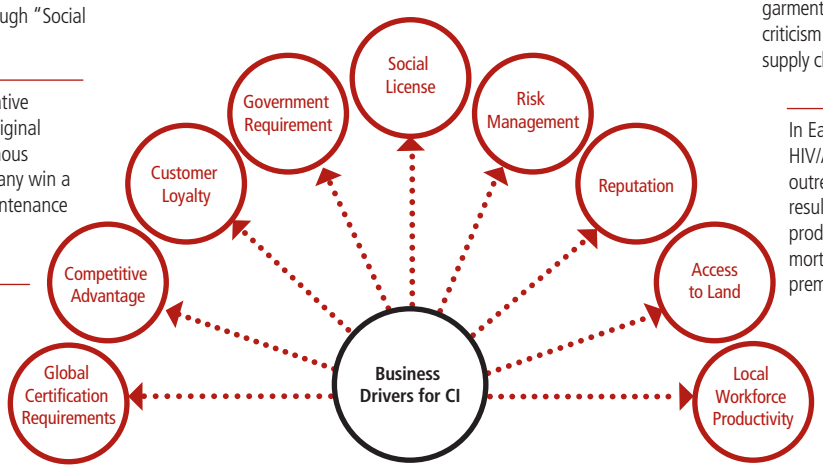
Figure 5: Potential Business Drivers[6]

Timber Resources Management legislation in Ghana requires logging firms to commit a portion of their financial resources towards the provision of social infrastructure and services to local forest communities through "Social Responsibility Agreements."

Universal Sodexo's innovative approach to supporting aboriginal people in developing indigenous enterprises helped the company win a major food and facilities maintenance contract with Rio Tinto.

The Roundtable on Sustainable Palm Oil has principles and criteria for smallholders, requiring contributions to local sustainable development.

Sino Gold's Jinfeng Mine was able to build its social license to operate in the Ghizou province, one of the poorest in China, by committing to a ten-year program of community development in consultation with local stakeholders.



Levi Strauss partnered with a local NGO in Bangladesh to provide workers' rights education and micro-enterprise support to female garment workers in response to criticism of sweatshop labor in its supply chain.

In East Africa, **Serena Hotels'** HIV/AIDS program – including outreach to communities – resulted in dramatic workforce productivity gains due to reduced mortality, lower health insurance premiums, and less absenteeism.

TRY TO QUANTIFY CI'S BUSINESS VALUE

Maximizing business value involves both value *creation* and value *protection*. Quantifying the business case for community investments that create value by decreasing the costs of inputs and boosting worker productivity (such as community HIV/AIDS programs) is fairly straightforward. However, financial valuation of community investments that help protect value by building intangibles such as trust and goodwill, or by decreasing the potential risk of delays, disruptions, or negative effects on corporate reputation, is more challenging. This is nevertheless possible, and doing so can substantially strengthen the business case.

BOX 3: THE COSTS AND BENEFITS OF SECURING COMMUNITY SUPPORT (PHILIPPINES)[7]

The Malampaya Deep Water Gas-to-Power project is a $4.5 billion joint venture of the Royal/Dutch Shell subsidiary Shell Philippines Exploration, Chevron Texaco, and the Philippine National Oil Company. The project illustrates how a potentially controversial, high-impact infrastructure project can avoid costly community opposition through ongoing efforts to secure and maintain consent throughout the project cycle. In Malampaya, the costs of gaining community consent proved to be minimal in comparison with total project costs. Even using conservative "base estimates" of potential delays due to community opposition, the project sponsors received benefits that were worth many times these costs. In addition, Malampaya has generated broader reputational benefits for Royal/Dutch Shell.

Costs and Benefits of Gaining Consent from Communities

Activities	Costs	Results	Benefits/Avoided Costs
General Community Engagement/Consultations (including resettlement)	USD $6 million	– Construction ahead of schedule by 3 months – Contractual penalties avoided – Project delays from laying of pipelines avoided	USD $36 million USD $10-30 million USD $4-6 million
Total Costs	**USD $6 million**	**Total Benefits**	**USD $50-72 million**

ALIGN INTERNAL FUNCTIONS TO SUPPORT CI

Goodwill generated by CI programs can quickly evaporate if actions undertaken by other parts of the business generate conflict or negative perceptions of the company among local communities. Cross-functional alignment and accountability are essential, both for CI and for managing community relations more broadly. Because day-to-day interactions across the business shape local attitudes about the company, it is important for all staff to be aware of the company's CI strategy and understand their role as "ambassadors" of good company-community relations.

BOX 4: THE IMPORTANCE OF CROSS-FUNCTIONAL COORDINATION

- Ensures that day-to-day interactions with communities by other business units support the overall CI strategy and do not undermine CI efforts
- Creates understanding and buy-in for CI from functional units, including clarification of roles and accountability for supporting business objectives related to community relations
- Helps leverage a wide range of resources, skills, and competencies across the business in support of local communities

Table 2: Potential Interface Between Business Units and Local Communities

Functional Teams	Community Interaction
Business Development / Feasibility	Initial contact with communities
Human Resources	Local employment, hiring, salaries
Land Acquisition	Land negotiations, resettlement, compensation
Procurement	Local contracts, sourcing of goods and services
Engineering and Logistics	Project infrastructure siting and development
Environmental and Social Management	Environmental and social impacts—avoidance, mitigation, and compensation
Community Liaison	Broader stakeholder engagement processes and grievance management
Government Relations	Liaison and coordination with relevant authorities and government units
External Relations / Communications	Working with media and key external audiences, internal communication
Contractors	Construction activities, workforce interaction, transport/trucking
Security	Company personnel and/or external contractors providing security

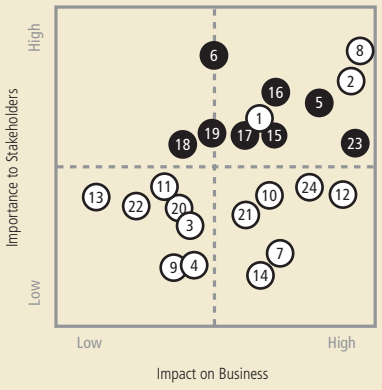
While CI is not meant to be used as a primary risk mitigation tool, it can still be effective in addressing certain project risks.

MAP PROJECT ISSUES, RISKS, AND OPPORTUNITIES TO DETERMINE WHERE CI CAN BE MOST EFFECTIVE

Bringing together functional teams across the business can also contribute to a more comprehensive mapping and analysis of the key issues, risks, and opportunities in the project's area of influence. This will help a company to formulate its specific business case for CI at the site level. While CI is not meant to be used as a primary risk mitigation tool, it can still be effective in addressing certain project risks or issues of concern to a company, or as a means of targeting particular groups of stakeholders.

BOX 5: ARACRUZ CELLULOSE (BRAZIL) - MAPPING KEY STAKEHOLDER ISSUES TO INFORM COMPANY STRATEGY[8]

To inform its sustainability strategy, Aracruz Cellulose, a Brazilian company and world leader in the production of bleached eucalyptus pulp, consults its employees and stakeholders to learn about key issues and priorities in relation to the company's activities. In the graph below, identified issues are plotted on a "materiality matrix" according to the degree of importance to stakeholders (vertical axis) and the degree of impact upon the business (horizontal axis). Priority issues that could be potentially addressed, in part, through CI are highlighted (our emphasis).



1. Ethical behavior
2. Corporate governance
3. Climate Change
4. Product responsibility
5. **Community impacts of plantations**
6. **Biodiversity impacts of plantations**
7. Technical management
8. FSC certification
9. Use of Genetically Modified Organisms
10. Energy Use
11. Emissions, effluents and waste
12. Emissions, effluents and waste
13. Toxic/hazardous chemicals used
14. Transport impacts
15. **Local and regional economic impacts of Aracruz activity**
16. **Relationships with Indians**
17. **Relationships with Quilombolas**
18. **Opposition from groups to plantations/agri-business**
19. **Impacts on fishing communities**
20. Occupational health and safety
21. Workforce diversity and equal opportunity
22. Labor rights and practices
23. **Wood supply from third parties**
24. CSR related requirements for outsourced work and suppliers

Other companies can use similar mapping exercises to identify and rank priority issues, risks, or opportunities related to local communities to determine where CI might be used most effectively.

3. Assess the Local Context for CI

KNOW WHAT YOU'RE GETTING INTO BEFORE ENGAGING

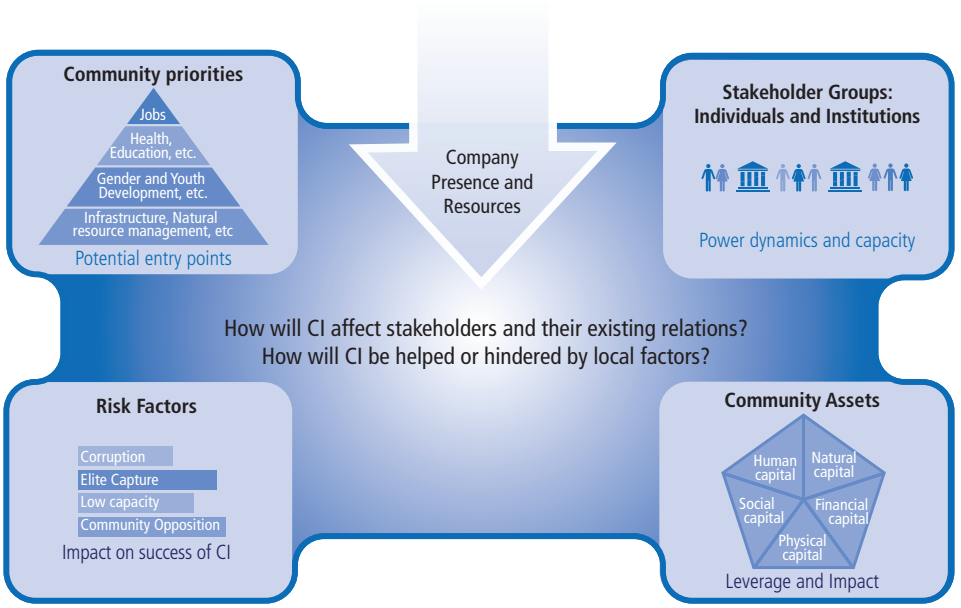
Good practice companies invest in understanding the characteristics and complexities of the local landscape and use this information for strategic planning of CI. For example, how will the company's presence and the resources it brings affect local actors, institutions, and their interrelationships? How will community investment efforts be helped or hindered by these local factors?

There are multiple variables associated with these questions that need to be assessed before a company engages externally on CI. Potential challenges include:

- **Historical legacy** or past actions that have created mistrust among the local population
- **Inclusion of women and vulnerable groups**, where certain cultural norms and values may not favor participation or exclude women and other groups from decision making
- **Elites**, who may distort decision making and capture resources for their own use
- **Conflict and post-conflict settings**, where the need for CI is great but the risks include aggravating existing tensions or sparking new conflicts over CI resources
- **Local governance issues**, including corruption and lack of capacity or political will
- **Weak local organizations**, requiring upfront capacity building before CI can succeed

ASSESS THE STAKEHOLDER LANDSCAPE: ACTORS, INSTITUTIONS, DYNAMICS, RELATIONSHIPS

Figure 6: Variables of the Local Context



4. Engage Communities on CI

WHY ENGAGEMENT FOR CI IS DIFFERENT

Engagement on CI must promote *stakeholder* action, decision making, and ownership.

Unlike a company's typical stakeholder engagement activities (which tend to seek feedback on project issues and impacts to enable the company to improve its *own* actions and decision making), engagement on CI must promote *stakeholder* action, decision making, and ownership. This means helping to support and facilitate a process of community-driven planning which empowers communities to define their own futures, identify their own opportunities and assets, and do their own prioritizing of areas for potential community investment by the company and other development actors. (Company strategy and local priorities will subsequently come together to determine which areas are best suited for company-community collaboration.)

IS THE COMPANY READY TO ENGAGE?

Adopting a community-driven approach often calls for a significant shift in mindset on the part of both the company and local communities. For a company, moving from a central role (in decision making and delivery of CI benefits) to a supporting role in a multi-stakeholder process (partnering, facilitating, co-funding) necessitates readiness on a number of levels:

BOX 6: KEY PRINCIPLES OF COMMUNITY-DRIVEN DEVELOPMENT[9]

- Local Participation
- Community Empowerment and Ownership
- Representation and Social Inclusion
- Governance and Transparency

- Willingness to give up some control in exchange for greater local ownership and sharing of risks
- A shift away from "do-it-yourself" to helping ensure that things get done
- A long-term commitment to an iterative process
- A significant upfront investment in expertise, facilitation, and capacity building
- Patience and recognition that results take time

HOW A COMPANY ENGAGES CAN DETERMINE THE SUCCESS OF CI

The way a company initiates the dialogue with communities around the topic of CI can have long-term implications for the relationship. Some ground rules include:

- **Use participatory processes** (that are inclusive and gender-sensitive)
- **Engage in a way that encourages collaboration** (e.g., openness, transparency, respect)
- **Manage expectations**
- **Keep track of commitments made, and follow through**
- **Involve government and other key stakeholders**

SUPPORT COMMUNITY PLANNING PROCESSES

Companies are moving away from traditional surveying of community "needs" and "wants" (which tend to create long wish lists and the expectation that the company is responsible for meeting these needs). Instead, they are reframing the conversation by encouraging communities—through participatory assessments—to consider their own existing resources and assets and to uncover opportunities to build upon these inherent strengths to meet their development goals.

Community planning is a means to bring people together to define a collective vision and to agree on a set of priority areas or interventions that become their own development action plan. Companies should not see the outcomes of community planning as something they are obligated to support regardless of what they are. Instead, the objective should be to work toward a joint vision, recognizing that the company will only play a part in the development process and that other actors—including government, civil society, donors, and communities themselves—will also need to play their parts.

"By promoting participatory planning…a sense of trust and respect between both sides begins to be built."

—Veracel

BOX 7: VERACEL (BRAZIL) - SUPPORTING COMMUNITY PLANNING THROUGH SOCIAL NETWORKS[10]

Veracel, an integrated forest products company based in southern Bahia, is a joint venture between Fibria of Brazil and Stora Enso of Sweden. One of the company's strategic goals is to build good relations with communities in the areas where it has eucalyptus plantations.

In 2006, the company launched a "Social Networks Program" in partnership with the Institute for the Development of Social Investment (IDIS) to establish an active dialogue with key stakeholders and find collective solutions to local development challenges. The intention was to overcome any initial mistrust by the communities and to avoid creating dependencies. This was done through a participatory planning process that involved the following phases:

- **Social Inventories** undertaken to study the socioeconomic context of the pilot areas and identify local organizations and leaders to support the creation of the networks;
- **Community Meetings and Capacity Building of Local Facilitators** to agree on network objectives and build a cadre of local facilitators to run subsequent workshops and mobilize new people and organizations to join the network;
- **Participatory Assessment of Community Assets, Visioning, and Action Planning** This was fundamental to the evolution of the program because it focused the dialogue on the potential of each locality to solve its own problems.

Results of Community Planning: Through facilitated workshops and action planning, the networks identified a number of projects to help achieve their vision. This included the formation of a cooperative to produce sweets; a craftsmanship project; and a cassava flour production project.

The Company's Role: To help ensure project viability, Veracel convened a meeting to introduce the communities to companies, banks, and suppliers that could provide support for implementation. For example, one local bank provided financing for the flour production project, while the craftsmanship project formed a partnership with a local merchant. Veracel also hired a consulting company to qualify craftsmen to use eucalyptus wood for the production of artifacts.

Outcomes: Overall, the process has helped the company to achieve its objective of building a constructive partnership with local stakeholders. The success of the pilot has inspired Veracel to extend the program to additional sites.

Figure 7: Stages of Community Planning

INTEGRATE GENDER PERSPECTIVES

Growing evidence shows that women's participation in community investment programs facilitates better and more broad-based development outcomes. Many good practice companies take deliberate steps to ensure that women are included in the engagement process, and that gender perspectives and opportunities are taken into account in planning and decision making.

WORK THROUGH MULTI-STAKEHOLDER MECHANISMS

Bringing stakeholders together through formal or informal mechanisms for discussion, planning, and decision making around CI initiatives can be an effective way to build consensus and work through potential concerns or conflicts.

BOX 8: NEWMONT (GHANA) - AHAFO SOCIAL RESPONSIBILITY FORUM[11]

The Ahafo Social Responsibility Forum (ASRF) was established by Newmont Mining—in collaboration with Nananom (the collective word for the local chiefs) and the District Chief Executives—as an innovative platform for dialogue and engagement between the company, local authorities, and the communities around the Ahafo mine in Ghana. The aim of the forum is to provide local communities with the opportunity to participate in the company's decisions and plans, deliberate on issues of mutual interest, build strong communication, and decide on how community development funds will be allocated.

ASRF is guided by the Ahafo Social Responsibility Agreement, which sets out goals, key principles, and direction for company-community engagement, as well as the issues that need to be addressed to ensure sustainable development. The forum has a broad-based representation consisting of the company, regional and district authorities, local chiefs, elected youth, NGOs, and representatives of women's groups.

5. Invest in Capacity Building

Building human and social capital is critical to strategic community investment because it leverages and multiplies the impact of CI resources by strengthening local partner organizations, promoting self-reliance, and increasing the likelihood of project success. For many companies, capacity building *is* their exit and sustainability strategy rolled into one. There are a range of different capacity-building interventions that companies can choose to support depending on need, context, and desired outcomes.

BE STRATEGIC—5 QUESTIONS TO ASK UPFRONT

- *WHOSE* capacity are we trying to build?
- Capacity to do *WHAT* and *WHY?*
- *WHEN* do we need to build these capacities?
- *WHO* should deliver the capacity building?
- *HOW* will we know if we have succeeded?

TARGET THE RIGHT PEOPLE

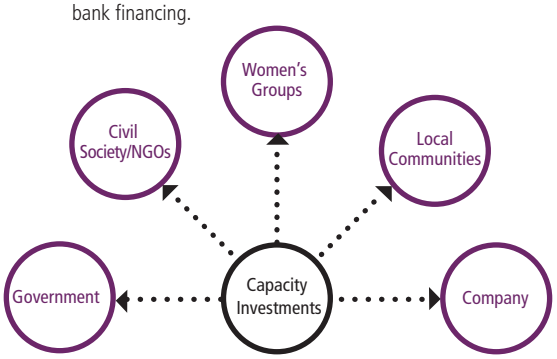
There are typically a number of different target groups—the company, communities, NGOs, and local government—that may require some form of capacity building or skills training in the context of CI planning and management.

Figure 8: Examples of Stakeholder Groups Targeted for Capacity Building[12]

In Colombia, **Ecopetrol** has partnered with key oil companies and IFC to help civil society organizations in five regions improve the performance of Royalty Investment Monitoring Committees. These committees hold local governments accountable for their use of oil and mining royalties.

In Peru, **Minera Yanacocha** partners with IFC to provide modern financial management systems and on-the-job training to the local municipality receiving the mine's tax revenues.

DFCU Bank in Uganda provides basic financial training to current and prospective female clients and women's organizations on topics that range from developing good savings habits to applying for bank financing.



Kinross Maricunga, a Chilean gold mining company operating in the Andes close to indigenous people and a national park, organized training programs for local communities to enable them to start their own income-generating enterprises around ecotourism.

BHP Biliton organizes practice-based training programs for its community relations professionals around the globe. The aim is to improve their knowledge, skills, and competencies in working with local communities.

An increasing emphasis is being placed on investments that build social and human capital.

BUILD THE RIGHT TYPES OF CAPACITIES

Companies must also identify what types of capacities and skills need to be built. There are three general categories to consider:[13]

- **Functional capacities** are cross-cutting capacities, such as the ability to engage effectively in participatory or multi-stakeholder processes, or to negotiate
- **Technical capacities** are associated with a specific area of expertise, such as microfinance, education, health, or agriculture, or focus on a specific competency
- **Behavioral capacities** focus on raising awareness to affect changes in people's attitudes

CONSIDER A VARIETY OF CAPACITY-BUILDING OPTIONS

The shift toward a more strategic type of CI has resulted in a change in the type of investments companies are making. An increasing emphasis is being placed on investments that build social and human capital through skills transfer, social awareness, and organizational capacity development.

Table 3: Investing in Local Capacity Building - A Menu of Options

Types of Interventions	Potential Activities
Networking	connecting communities, organizations, and individuals through formal and informal affiliations to expand service delivery, improve information sharing, set performance standards, or empower groups
New Entity Creation	creating new water user groups, co-ops, civil society organizations, borrower groups, etc.
Training	designing and delivering curriculum to support transfer of critical skills
Partnering	brokering new relationships and joint ventures between key actors to meet CI objectives
Leadership development	serving as a role model or counselor to emerging community leaders
Organizational Development	providing support to local organizations to enhance performance
Exchanges and Visits	sponsoring exchanges to promote learning and cross-fertilization
Coaching and Mentoring	(self explanatory)
Social Marketing	applying principles of commercial marketing to raise awareness and influence behavior changes
Development of Local Service Providers	strengthening the quantity and quality of local service providers
Direct Management Assistance	company staff are either seconded or provide direct technical assistance
General Operating Grants	providing small grants to support core staff at key agencies

6. Set the Parameters

Given the potential reputational implications of community investment and the need to account to shareholders, companies have both a right and an obligation to set specific parameters on the use of their resources. Setting conditions (in consultation with stakeholders) on the types of activities a company will support, and the way that projects are designed and implemented, will increase the likelihood of achieving desired outcomes while avoiding undesirable ones.

SCREEN ALL ACTIVITIES (AGAINST ESTABLISHED OBJECTIVES, PRINCIPLES, AND CRITERIA)

Selectivity is essential for companies seeking to direct their community investment programs strategically. Three screening elements—CI objectives, guiding principles, and eligibility criteria—come first.

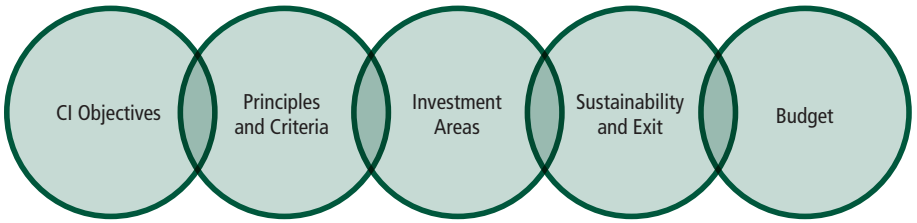
- **CI strategy objectives** should be fairly high level and linked to the business case
- **Guiding principles** (or selection criteria) are the fundamental rules that all CI proposals and projects should adhere to in order to receive support from the company
- **Eligibility criteria** are written, transparent criteria that establish clearly at the outset who is eligible to benefit and how resources will be allocated among communities

BOX 9: MONTANA EXPLORADORA (GUATEMALA) - GEOGRAPHICALLY-BASED ELIGIBILITY FOR CI FUNDING[14]

Montana Exploradora devised a geography-based system for allocating company funds for community development projects. Based on the annual total funding level, funds were proportioned among four zones depending on the intensity and types of potential project impacts:

- The Blue Zone is the area of direct influence, which includes six communities that are located adjacent to the Marlin mine and its activities. These communities receive 40 percent of the annual community development budget.
- The Green Zone includes a second ring of communities located around the Marlin Mine that are indirectly affected by the mine and its activities. These communities receive 30 percent of the budget.
- The Yellow Zone includes communities located along the transportation route between the Marlin mine and the Pan American Highway. These communities receive 20 percent of the annual budget.
- The Brown Zone includes the remaining communities in the municipalities of San Miguel Ixtahuacán and Sipacapa that may or may not be affected by the Marlin Mine and its activities. Development needs in these communities are identified in coordination with the municipal governments. These communities receive 10 percent of the annual budget.

Figure 9: Key Parameters for CI



BOX 10: CHEVRON (NIGERIA) - GUIDING PRINCIPLES AND SELECTION CRITERIA FOR SCREENING COMMUNITY INVESTMENT PROJECTS[15]

Principles

- When possible, rehabilitate or complete existing infrastructure before investing in new construction.
- Engage government agencies, where appropriate, to provide their legally mandated services, including education, health care, and infrastructure.
- Involve community members as active participants in project planning and execution.
- Use every project as a capacity-building opportunity (skills acquisition through encouraging and assisting local youth to become contractors hired to build community projects, formation of community-based organizations, etc.)
- Reinforce community pride in ownership of development project outcomes.

Selection Criteria

Each proposed project is scored "low, medium, or high" on each of the following criteria, and proposed projects are then ranked based on these scores.

IMPACT

- High "value-added": broad social and / or economic benefit (e.g., significant increase in household income, creates jobs, enhances peace and stability)
- Spreads benefits equitably among beneficiaries
- Strengthens peaceful and orderly society
- Addresses youth unemployment / underemployment
- Improves opportunities for women

SUSTAINABILITY

- Encourages self-reliance and avoids dependency
- Responds to existing or potential market (for economic projects)
- Strengthens capacity of individuals, community-based organizations, NGOs, and/or local government
- Opens partnership opportunities with CBOs, NGOs, other donors, and/or government
- Creates opportunity for government engagement and support

PROJECT MANAGEMENT

- High likelihood of success (from feasibility studies)
- Designed to build out from success
- Optimizes and/or complements existing resources and capabilities
- Beneficiaries are involved in program design and execution
- Project planning and execution is transparent
- Strengthens long-term positive relations among stakeholders

SELECT INVESTMENT AREAS

✓ **Select Investment Areas Based on Alignment of Interests**

Ideally, a company's role is to catalyze, support, and enable local stakeholders to identify and address their own development priorities and aspirations. This does not imply that companies can or should respond to everything. Rather, the goal is to try to create shared value by investing selectively in areas that are high priority for both communities and government, and that make good business sense. In reality, however, this may not always be achievable right away or be practical for every investment. There may be pressing issues, for example, that don't fit neatly within the triangulation of interests but need to be addressed nevertheless; or interim steps, such as capacity building, that are needed to enable all parties to move toward areas of common interest.

Figure 10: Selective Investing to Create Shared Value

BOX 11: COCA-COLA (KENYA) - SHARED INTERESTS AROUND WATER ISSUES[16]

An important component of Coca-Cola's business and sustainability strategy is water stewardship. Water is a key ingredient in the majority of Coca-Cola beverages and, at the same time, water quality and availability are common priority issues for local communities and governments in countries where the company operates.

Coca Cola's water stewardship commitment therefore focuses on three main areas: (i) reduction of the company's water use; (ii) preservation of local water resources through recycling; and, (iii) support of healthy watersheds and community water programs that help the company promote sustainable water management. One such example is the five-year "Sustaining and Scaling School Water, Sanitation, and Hygiene Plus Community Impact (SWASH+)" program in Nyanza Province, Kenya. The program was launched in 2006 to develop and test innovative approaches to school-based water, sanitation, and hygiene interventions that maximize impact, equity, sustainability, and cost-effectiveness. The program is implemented in phases to ensure that best practices are used to establish a framework for government-led scale up of the most effective interventions.

✓ Use "Screens" to Select Among Local Development Priorities

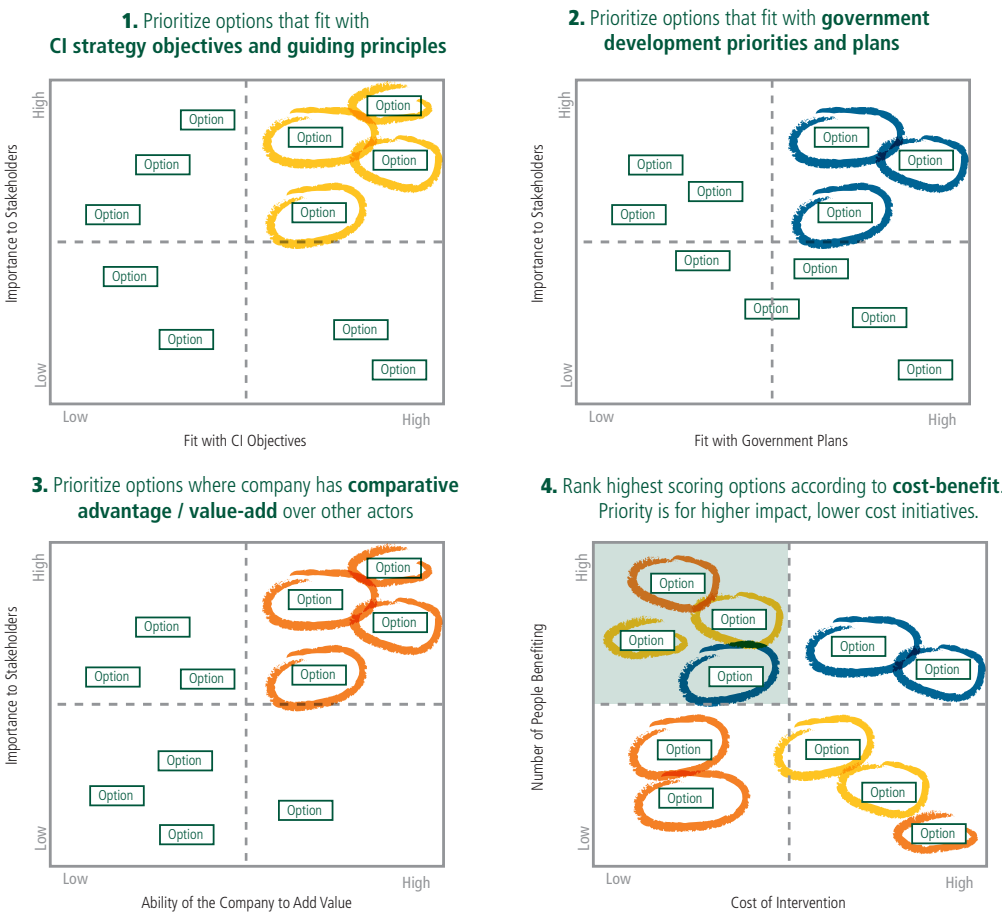
Community planning and engagement processes will typically generate a set of development priorities ranked according to their level of importance to local stakeholders. Using this as a starting point, companies may find it helpful to employ screens or filters as a decision-making tool to further refine the investment options and prioritize shared areas of interest.

Examples of some common screens include:

- Level of stakeholder priority (high, medium, low)
- Level of risk or opportunity presented (high, medium, low)
- Fit with CI strategy objectives and guiding principles
- Fit with government development priorities and plans
- Local capacity and availability of implementing partners
- Ability of company to add value / comparative advantage
- Fit with Millennium Development Goals (or corporate priorities)
- Cost-benefit (number of people benefiting versus cost)

The following diagrams illustrate how this screening process might unfold.

Figure 11: Sample Screening Process for CI Options



BUILD A CI PORTFOLIO THAT SUPPORTS YOUR STRATEGY

Putting together a successful portfolio of community investments is similar in many ways to building a financial portfolio. This means that it is important to consider such factors as allocation, diversification, risk, time horizon, and short-term and long-term objectives, as well as the investment mix that can help a company achieve its overall goal. This goal, for many companies, is to maximize value derived for the business and its stakeholders from the envelope of CI resources.

✓ **Decide on Investment Categories**

Creating a typology of investments and allocating budget to selected categories enables a company to exercise greater control over how its CI resources are spent. The BG Group, for example, differentiates between philanthropic donations, investments at the community level, and regional development initiatives.

Figure 12: BG Group's Typology for Social Investment Spending[17]

Local Community Investment
Targeted at communities within the project's area of influence. Considered to be 'strategic' as it contributes to local sustainable development priorities and is undertaken in support of the company's business objectives. Can be divided into sub-categories (e.g. 'short-term' versus 'long-term/ productive' investments).

Regional Development
Most relevant for large projects with significant revenue flows. Generally involves large-scale projects with significant costs, multiple sources of funding, and is carried out with multiple stakeholders including regional government.

Philanthropy/Charitable Donations
Projects involving charitable giving. Typically has little relation to business objectives, even though it may be addressing a community or societal need.

BUILD SUSTAINABILITY AND HANDOVER INTO PROJECT DESIGN

Sustainability is critical to the effectiveness of community investment. Companies have a clear business interest in avoiding the creation of dependencies and ensuring that the projects they support can become self-sustaining over time. The ability to reduce or withdraw company assistance without negative consequences is also an important driver. In many cases, the assumption that a company can "hand over" to government, NGOs, or communities is not realistic without significant preparation and capacity building. As such, companies might consider asking some upfront questions about sustainability and phased handover as part of their project or program design.

CI budgets should provide steady, multi-year funding and enable flexibility to respond to changing circumstances at each stage of the project cycle.

✓ **Sustainability Factors**

- Will the project or activity be able to continue in the absence of company support? How?
- What measures will be taken to ensure that the company does not support unsustainable activities?
- How will the company restructure any existing CI activities that are not sustainable?
- What steps will be taken to raise awareness of the importance of sustainability among local stakeholders who might not otherwise see this as a priority?
- Does the company have guiding principles and project selection criteria that promote sustainability?

✓ **Exit or Handover Strategy**

- What will be the company's exit or handover strategy for each CI activity it supports?
- What is the timeline for decreasing company support and building local self-sufficiency for both management and financing?
- For infrastructure or service delivery, what mechanisms are in place to ensure local ownership, cost-sharing, responsibility for maintenance, and capacity for handover?
- Has the company's exit or handover strategy been discussed and agreed to with communities, local government and/or other partners upfront?

SET A PRELIMINARY BUDGET

There is no set rule for how much to spend on community investment, and evidence suggests that there is no direct correlation between the amount of money spent and the quality of the relationship with local communities.[18] Companies spend anywhere from USD $60,000 to upwards of USD $10 million per year on site-level CI programs.

Table 4: Examples of Company Funding Formulas for Community Investment Activities

Sector	Region	Funding for Community Investment
Mining Company	Latin America	1% of pre-tax annual profits allocated to CI based on 3-year rolling average
Sugar Company	Latin America	USD $2.20 for each quintal of sugar produced annually
Tree Plantation Company	East Asia	USD $50 per hectare of plantation land contributed to a community development fund
Oil Palm Company	Sub-Saharan Africa	1% of annual turnover
Mining Company	Sub-Saharan Africa	1% of operational profits plus USD $1 for each ounce of gold produced by its mines
Oil & Gas Company	Global	1-3% of expected operating costs
Mining Company	Global	2% of expected capital expenditures

Ideally, a CI budget should be needs-driven (i.e., determined by a socioeconomic assessment and business needs related to achieving social objectives). In reality, however, many CI programs are budget-driven, based on predetermined formulas or a discretionary allocation by management. CI budgets should, in any case, provide steady, multi-year funding and enable flexibility to respond to changing circumstances at each stage of the project cycle.

7. Select the Right Implementation Model

Once the key parameters of the CI strategy are established, the next step is figuring out how best to deliver the program. This too is a strategic choice guided by distinct variables, such as the company's objectives, project time horizon, budget, and the characteristics of the local operating context. Because different implementation models have different advantages and disadvantages (that may serve one set of objectives over another), it helps to understand the various options.

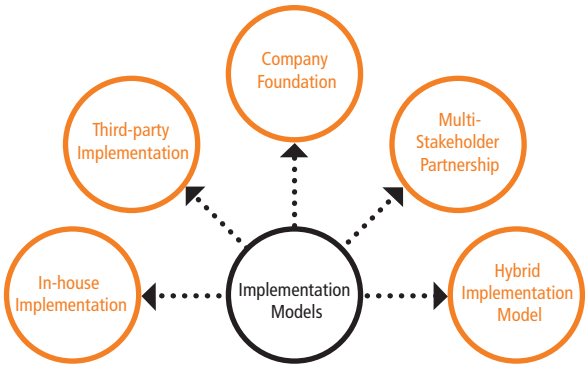
Figure 13: Examples of Implementation Models[19]

In implementing its community investment programs along the Baku-Tblisi-Ceyhan pipeline route, **BTC** chose to partner with local and international NGOs. Where international NGOs were selected, they served as lead partners, implementing projects in collaboration with local organizations.

In Ghana, **Newmont Mining** has set up a community development fund to support development activities in ten communities in the Ahafo area. The Newmont Ahafo Development Foundation, established by the company in collaboration with local stakeholders, manages the fund with a nine-member board of trustees.

ABB's Access to Electricity Initiative is a partnership model with companies, development agencies, financial institutions, and regional authorities to electrify poor rural communities. The aim is to provide the preconditions for more sustainable development in these communities.

Cargill relies on its Care Councils (employee-led groups) to implement strategic community involvement activities on behalf of their businesses. While councils vary in structure, size, and leadership, their goal is to ensure that Cargill is investing its financial and human resources in local communities to help meet its business objectives.



Montana Exploradora de Guatemala has an in-house community investment program and has also established a local foundation, Fundación Sierra Madre, to support a broader range of programs. These include health, education, and vocational training, community capacity building, and economic development.

KEY QUESTIONS FOR IMPLEMENTATION PLANNING

Regardless of the model chosen, it is a good idea to think through the following questions upfront:

- Does your implementation model support your strategy objectives?
- How will you maintain ownership, visibility, and oversight?
- How will participatory decision making and governance be fostered?
- How will transparency, accountability, and sustainability of funding arrangements be ensured?
- What capacity building is needed to support the chosen model / encourage local delivery?
- What is the exit or handover strategy for the chosen model?

FIVE STRATEGIC REASONS TO PARTNER

Companies know that partnering is not always easy—it can have its advantages and disadvantages. When deciding if and with whom to partner in undertaking CI initiatives, it might be useful to consider whether the partnership offers one or more of the following benefits:

- Risk sharing
- Ability to leverage expertise, skills, and resources
- Scalability
- Extended reach
- Enhanced likelihood of successful outcomes (e.g., shared ownership, sustainability)

BOX 12: STEELPOORT VALLEY PRODUCERS FORUM (SOUTH AFRICA): SCALING UP THROUGH INDUSTRY-GOVERNMENT COLLABORATION[20]

Steelpoort Valley Producers Forum (SVPF) is a group of 12 platinum and chrome mining companies operating in the Greater Tubatse Municipality in South Africa. At the time of SVPF's creation, the member companies and their host communities faced a number of development challenges:

- A shortage of water in the area, presenting a major risk for company operations and local communities
- Lack of local governance capacity and spatial planning, creating difficulties with respect to managing infrastructure requirements and land-use, and to providing meaningful support for local development
- Uncoordinated efforts by individual mines around their social responsibility mandates, limiting the industry's potential for meaningful development impact at the municipal and community levels

In addition, the development of mining operations ahead of municipal infrastructure development led to negative perceptions about the industry.

SVPF was created to address the collective needs of the mining companies and to promote the principles of cooperative governance to ensure sustainable local economic development. All projects that are implemented by SVPF support local municipal industrial development plans. A project management unit manages the existing agreements between local government and participating mines until government capacity is sufficient to carry out these functions. To date, SVPF has supported development projects in the following areas: (i) spatial development and GIS; (ii) water management; (iii) transport infrastructure; and (iv) capacity building and training of the Greater Tubatse Municipality Technical Department.

As a result of the success of SVPF and other similar initiatives, the concept of "producers forums" is now moving beyond the mining industry in South Africa to other industry and multi-industry groups (such as, for example, a producers forum involving both mining and agricultural companies).

8. Measure and Communicate for Strategic Advantage

Monitoring and evaluation has most value when a company acts on the information it collects and engages stakeholders on the results of its community investment program. Leading companies systematically measure the results of their CI programs and communicate these results effectively to internal and external audiences. Effective measurement should inform companies of the impact their investments are having; whether this impact is viewed positively or negatively by local people; and whether (and how) this translates into tangible business value. A communications plan for CI, developed at the outset, is an integral part of the overall strategy.

10 STEPS FOR MAKING THE MEASUREMENT OF CI MORE STRATEGIC

- Set objectives that can be attributed to CI
- Jointly define indicators and measures of success with stakeholders
- Establish a baseline
- Focus on outcomes and impacts, not just outputs
- Focus on qualitative, not just quantitative
- Track changes in community perceptions
- Make measurement participatory
- Track results by gender
- Integrate CI into the company's broader monitoring and evaluation systems
- Use monitoring and evaluation results to drive resource allocation for CI

Figure 14: Hierarchy of Indicators – An Education Project Example[21]

Hierarchy	Inputs	Outputs	Outcomes	Impacts	Business Benefit indicators
Definition	Resources invested (e.g., money, labor, materials)	Goods and services generated by the use of inputs (short-term)	Expected changes in access, usage, behavior, or performance of users (medium term)	Ultimate (long-term) effect of the intervention on a key dimension of development (e.g., living standards)	Direct or indirect business value generated by CI activities
Quantitative indicators	• Construction materials • Number of hours of community labor • Dollars contributed by the company	• Number of schools built • Number of teachers hired* • Volume of school supplies procured	• % change in access to education* • % change in enrollment rate* • % change in rate of grade completion*	• Quantity of links to employment or higher education* • Number of graduates hired by the company*	• Number of graduates hired by the company* • % change in grievances received by community groups served by the school
Qualitative indicators	• Stakeholders' satisfaction with their role/ participation in the project design*	• Perceptions of quality of schools and teachers * • Relevance and cultural appropriate-ness of curriculum*	• Perceptions of quality/usefulness of education received* • Beneficiaries reporting application of acquired skills and knowledge*	• Quality of links to local employment opportunities* • Perceptions of improved socio-economic status or opportunity among beneficiaries*	• Changes in community perceptions of the company attributable (directly or indirectly) to the CI project*

* Data disaggregated by gender

Simply measuring outputs does not tell the company whether local people feel that they have benefited from a given intervention.

✓ **Focus on Outcomes and Impacts, Not Just Outputs**

Simply measuring outputs does not tell the company what broader results or changes are being achieved, or whether local people feel that they have benefited from a given intervention. A focus on outcomes and impacts tells the company if (and how) CI is making a difference in people's lives.

✓ **Focus on Qualitative, Not Just Quantitative**

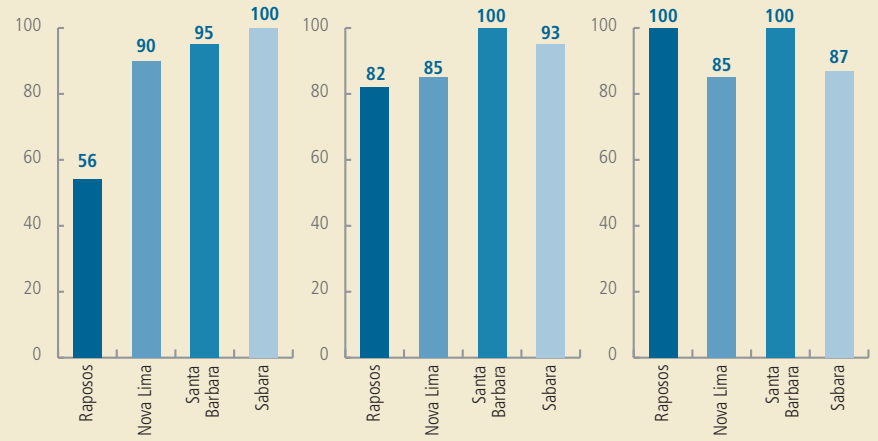
Measures of both quantity (numbers, percentages, ratios) and quality (based on people's perceptions and behaviors) are needed to capture the full CI story. Qualitative measures are especially relevant in the context of CI where hard-to-quantify intangibles—such as social process, trust, capacity, sense of ownership, and perceptions—are so important.

✓ **Track Changes in Community Perceptions**

Because the success of CI ultimately depends on its ability to positively influence the satisfaction, perceptions, and actions of local stakeholders—all of which are dynamic and can change over time—obtaining real-time feedback from communities on the perceived effectiveness of CI (as well as other company programs) is encouraged. Establishing a "qualitative" baseline, followed by regular community surveying, has proven valuable as a management tool and early warning system for key issues affecting the company-community relationship.

BOX 13: ANGLOGOLD ASHANTI (BRAZIL) - USING STAKEHOLDER SATISFACTION SURVEYS AS A MONITORING AND EVALUATION TOOL[22]

In Brazil, AngloGold Ashanti has a long-standing Good Neighbor Program for its surrounding communities. The company conducts stakeholder surveys to assess satisfaction with the program. Survey results (an example is displayed below) provide valuable insights into community perceptions of the program, and allow the company to assess the program's overall effectiveness and business value.



Good neighborhood programs pre-empt conflict

Good neighborhood programs improve your knowledge of the company

Toll-free complaints number is effective

✓ **Make Measurement Participatory**

Participatory monitoring and evaluation is another way companies can engender trust, build local capacity, and promote mutual learning. Such approaches have been shown to enhance credibility and ownership of development results among stakeholders. Common tools and mechanisms used by corporates include:

- Community scorecards
- Community or multi-stakeholder forums
- Suggestion boxes
- Good neighbor agreements
- Citizen report cards

"Looking at our community programs from a gender perspective, we know that women's participation in community programs facilitates more broad-based and lasting outcomes compared to those designed solely by male community leaders."

— Rio Tinto

✓ **Track Results by Gender**

Good practice encourages companies to track the results of their CI activities by gender. This could mean formally incorporating gender as part of a company's CI strategy goals and objectives, or integrating gender aspects into monitoring and evaluation. Some practical actions might be to:

- Set gender-specific targets
- Introduce requirements for gender-disaggregated data
- Develop gender-sensitive indicators
- Use participatory approaches to monitoring and evaluation that involve both men and women

BOX 14: RIO TINTO - UTILIZING GENDER-SENSITIVE INDICATORS TO IMPROVE OUTCOMES[23]

Rio Tinto encourages the use of gender-sensitive indicators in its operations worldwide. Some examples include:

Infrastructure: % of females / males with access to safe drinking water
Health: Incidence of particular health conditions amongst females and males
Education: Ratio of boys to girls' enrollment and completion rates in primary, secondary, and tertiary education
% of females and males with relevant skill sets for employment
Empowerment: Number of females participating in planning and decision making at the household and community level
Level of satisfaction, by gender, in participation in a working group

LINKING COMMUNITY OUTCOMES AND BUSINESS VALUE

Ad hoc donations viewed as philanthropy typically do not create the expectation of a "return," nor much incentive to track results. By contrast, a strategic approach strives to create shared value, including business value. A 2009 McKinsey study showed that few companies understand how their corporate social responsibility programs (of which CI is a subset) respond to specific business objectives, or whether they actually create financial value. It suggests that companies who can develop metrics to translate community outcomes into business benefits (in terms that are valued by the market—risk reduction, enhanced reputation, productivity gains, etc.) can reap additional benefits by communicating this information to investors and financial analysts. An additional incentive is that high-performing environmental and social programs are increasingly seen as a proxy for effective business management.[24]

BOX 15: VALUING PLACER DOME'S COMMUNITY INVOLVEMENT PROGRAM (CHILE)[25]

A 2006 financial valuation study of sustainable development practices determined, at the time, that if Placer Dome's community involvement program could fast track the Cerro Casale project by one year, it would add USD $0.81 per share to the value of the company's stock. This translated into a 5.5 percent valuation lift from its trading price at the time of USD $14.70 per share.

In order to perform the analysis, certain assumptions were made. In the case of Placer Dome, the mining company had a high quality community involvement program that used community advisory panels for stakeholder engagement and community outreach. The study assumed that Placer Dome's community involvement program would lead to the fast tracking of project approval and project "booking"—one year earlier than initially planned.

✓ Measure Return on Community Investment

Measuring return on community investment is a new frontier in monitoring and evaluation. Converting the business benefits of CI into standard financial metrics is not an easy task. Table 5 below describes three emerging methodologies that might be used to monetize the benefits from a company's sustainability investments related to local communities.

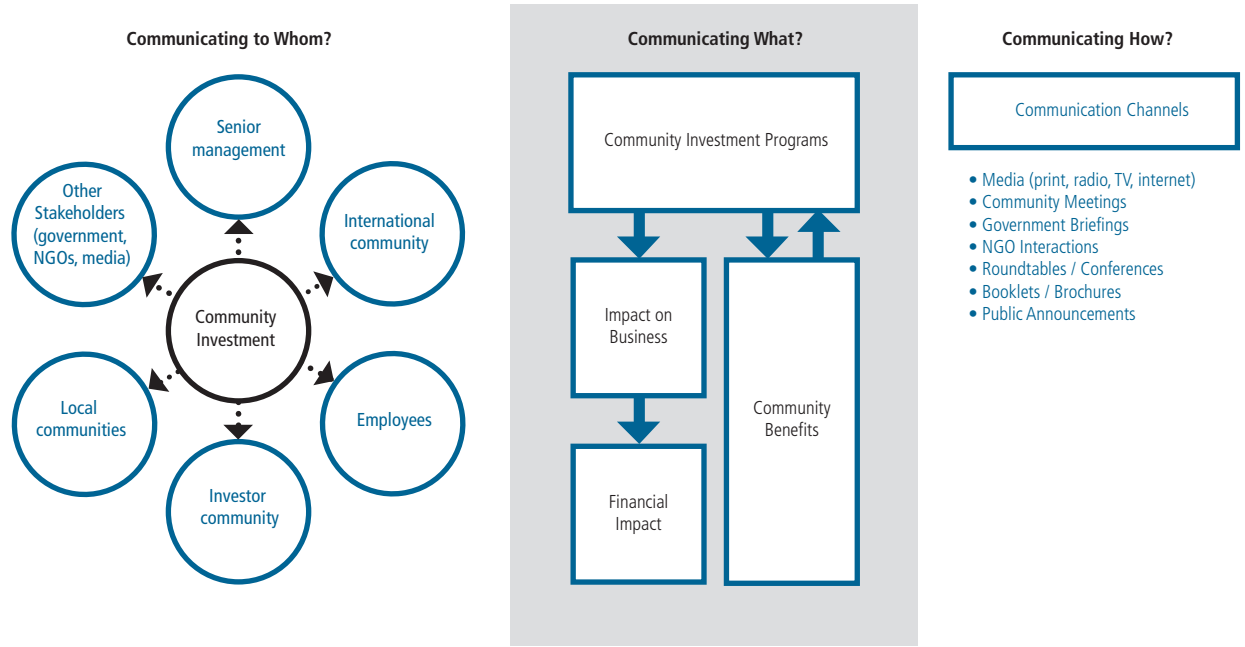
Table 5: Emerging Methodologies for Valuing Corporate Sustainability Programs[26]

Methodology	Description
Financial Valuation of Sustainability Investments	Calculates Net Present Value (NPV) of sustainability investments by capturing direct and indirect benefits. Differentiates between value creation and value protection.
Social Return on Investment	Measures the value of benefits relative to costs of achieving those benefits. For example, a ratio of 3:1 indicates that an investment of $1 delivers $3 in social value.
The SD Effect	An analytical framework that relies on the use of common financial methods to isolate the effect of corporate sustainability practices / programs on share price performance.

COMMUNICATING VALUE

A good community investment strategy requires a good communications plan. If business benefits derived from CI are to be optimized, stakeholders need to know about these investments and the value they create. Effective communications involves identifying the various audiences, tailoring the messages for each group, and using a range of communications tools and channels.

Figure 15: Targeting Communications for Community Investment



Tips on Communications Planning for CI

- Set up a Communications Function to support Your Community Relations Team
- Assess External and Internal Communications Resources
- Engage Partners Who Reinforce Your Message on CI
- Develop a Community Investment Web Platform
- Clearly Define Intended Results (Internal and External)
- Identify Target Audiences and Tailor the Key Messages
- Develop Messages in Alignment with CI Project Cycle
- Plan for the Worst: Set up a Crisis Communications Plan

COMMUNITY INVESTMENT STRATEGY (SAMPLE CONTENTS)

The scope and level of detail of the strategy should be scaled to fit the needs and stage of the project (or company operations).

Introduction	– Brief project description: company operations, community context, and key social and environmental issues or impacts
Business Case	– Business rationale for supporting a CI program / anticipated business benefits – Key site-level issues, risks, and opportunities to be addressed through CI
Local Context	– Key findings of socioeconomic baseline assessment and stakeholder consultations – Stakeholder analysis – Key challenges and opportunities posed by the local context – Institutional mapping: institutions, organizations, and potential partners – Key government development priorities and plans
Community Engagement and Planning	– Process, mechanisms, and timetable for multi-stakeholder engagement on CI – Key phases, activities, and timeline for community planning and input into CI priorities and strategy – Key results from activities that assessed and ranked local development priorities
Objectives, Guiding Principles, and Criteria	– Goals and objectives of CI Strategy (linked to the business case and SMART*) – Guiding Principles, Eligibility Criteria, and Selection Criteria
Focus Areas for CI	– Process and criteria (e.g., "screens") used to select areas for company investment – Key focus areas selected for CI (and supporting rationale for each) – Typology of investments and allocation (short-term versus long-term)
Company Core Competencies and Resources	– Ways in which company can leverage its assets, resources, and unique role in support of CI focus areas (e.g., staff, expertise, facilities, equipment, contacts, advocacy, etc.)
Sustainability, Handover and Exit Strategy	– Proposed criteria / measures to avoid creating dependency and to ensure that programs can become self-sustaining once the company reduces or withdraws its support – Strategy and timeline for decreasing company support and building local self-sufficiency for both management and financing of projects and programs
Implementation Planning	– Proposed delivery model(s) or structures (and rationale for selection) – Potential partners – Roles and responsibilities – Implementation schedule – Governance structure and composition (to ensure multi-stakeholder representation and decision making)
Internal Coordination and Alignment	– Coordination of CI with other company policies / programs affecting communities – Mechanisms for coordination among units interacting with local stakeholders – Cross-functional roles / accountabilities for units interacting with local stakeholders
Capacity Building	– Company readiness (management support, internal preparedness / skills to engage) – Capacity building needs identified (i.e., target groups / skills needed) – Capacity building activities undertaken to-date
Staffing and Budget	– Staffing resources to support CI (coordination, oversight, management) – Budget assumptions and main sources of financing (including any plans for external funding, and arrangements to secure long-term financial sustainability) – CI Budget (multi-year) and contingencies
Results Measurement	– M&E activities to be undertaken – Participatory methods / mechanisms to be used – Key indicators to be tracked (including business benefits) and baseline data required – Resource and budget requirements
Communications	– Internal and external communications plans – Timetable; target audiences; communication channels to be used

* Specific, Measurable, Attributable, Results-oriented, and Timebound

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