



Investing in People: Sustaining Communities through Improved Business Practice

A COMMUNITY DEVELOPMENT RESOURCE GUIDE FOR COMPANIES



INTERNATIONAL FINANCE CORPORATION
A Member of the World Bank Group





The International Finance Corporation (IFC), the World Bank Group's private sector investment arm, seeks to further economic growth by promoting sustainable private sector development in developing member countries, thereby reducing poverty and improving people's lives. IFC is a legally and financially independent institution and is collectively owned by its 174 member countries. Since its establishment in 1956, IFC has committed more than \$29 billion of its own funds and has arranged \$19.2 billion in syndications and underwriting for 2,446 companies in 136 developing countries. By working closely with business and entrepreneurs — both large and small — IFC adds value to the development process by acting as an adviser to clients and governments and by creating standards of behavior in corporate environmental and social responsibility for its own investments — and for the private sector generally. IFC strives to be more transparent and accountable and seeks input from a broad set of stakeholders, especially project affected communities.

IFC has in-house environmental and social project appraisal capacity and also provides advice and training to financial institutions on these standards. IFC's environmental, social and disclosure policies, procedures and guidelines have been developed after extensive peer review and draw on best practice and experience across a wide range of industries and disciplines. Using both its own funds and concessional funding from sources such as the GEF, IFC also invests actively in projects with specific environmental goals, supporting projects ranging from renewable energy to clean water supply. For more information on IFC and its activities in promoting sustainable private sector investment, go to: www.ifc.org/enviro.



IFC
Environment
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Promoting Environmentally
and Socially Responsible
Private Sector Investment



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FOREWORD

Development is about people. And, I believe strongly that investing in people to help them achieve their hopes and goals — to improve their lives — is what development is all about. As business learns to be more responsible corporate citizens and neighbors, companies, communities and civil society organizations will increasingly be working together to find solutions to even greater development challenges in developing countries.

The International Finance Corporation (IFC) is starting to map its road to sustainability. A central pillar of this process will be how IFC and our clients engage with stakeholders, especially the communities where we work. I strongly believe that private sector investment and sustainable growth in the developing world is fundamental to achieving greater equity in the development process.

At the dawn of this new century, the development challenges we all face, as global citizens, remain daunting. Stark inequalities still exist at all levels — north and south; local and global. We live in a world where 1.2 billion people earn less than \$1 a day; 2 billion people lack access to electricity; and 3 billion people lack access to clean drinking water. These numbers underscore the truth that poverty is a vicious and complex cycle. But, we should not forget that there are faces behind the numbers and finding innovative and lasting solutions to these challenges should be a never-ending priority.

It is crucial that the private sector, as an increasingly significant catalyst for positive change, continues to step up to face these challenges thereby demonstrating responsibility and accountability in the development process. Rapid communications in the "global village" mean that companies' environmental and social performance is under ever-greater scrutiny from an ever-widening stakeholder audience. As a result, our understanding of the boundaries of private sector corporate responsibility is evolving at a rapid pace. In turn, this acts as a driver for new and innovative models of assurance, accountability, and partnership. The cynic may view this simply as a response to criticism from pressure groups, but I believe that sound business performance will increasingly be synonymous with environmental and social sustainability. Indeed, a company's bottom line may very well be at stake if its 'local license to operate' is put at risk. Additionally, business and industry increasingly recognise that engagement with communities goes beyond consultation and dialogue — they may also have to concretely demonstrate that communities will derive development benefits from their operations. Many clients and other businesses have told us that they feel guidance in this area and the opportunity to learn from others would be most valuable.

In response, IFC has prepared this Community Development Resource Guide as a tool primarily for companies, but also we hope of value to NGOs and community groups, governments, consultants, policy-makers, development practitioners and communities themselves. It follows the 1998 release of the public consultation Good Practice Manual from which we have received much positive feedback (for which we are grateful) and which we believe provides complementary guidance in this difficult area. We hope that the Guide will help prioritize development needs; allow others to learn from and build on the successes — and failures — in community development; and to suggest innovative solutions to bridging the divide between business and communities.

The Guide draws generally on concrete examples of corporations and projects where complex environmental and social impacts have been dealt with innovatively and successfully. But, a number of these examples also underscore the reality that nobody has all the answers; that it is an evolutionary and evolving process where we all continue to learn. To illustrate this, the Guide includes three in-depth cases of IFC clients who have not only woven community development into their corporate ethos — but they have championed



Peter L. Woicke



the idea that community development is not just an "add-on" to doing business. However, each company has taken a different approach to achieve their community development goals. One company, TISCO, an iron and steel company in India, has spun-off a company-sponsored NGO specifically aimed at implementing community development activities. Escondida, a copper mine in Chile, has created two foundations to address community development needs in surrounding communities and beyond. Finally, Phinma in the Philippines, believes that the only way to make community development sustainable, is to tie it to their core business through specialized management functions.

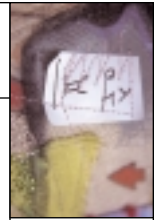
I believe firmly that the private sector, acting responsibly, can be an enormous force for good in helping to achieve our dream of a world free of poverty and I hope this Guide can make a small contribution to that shared goal. There is much to be done and I welcome you in joining us on our journey to sustainability.

Peter L. Woicke
Executive Vice President
International Finance Corporation

December, 2000



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A note on sources: A variety of secondary sources were also used to draft this document. Secondary sources are cited in the resource directory. Examples that come primarily from secondary sources (sometimes supplemented by phone conversations or personal communication) also cite the appropriate source.

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KEY PRINCIPLES FOR COMMUNITY DEVELOPMENT PROGRAMS



1. Engage in effective community consultation

Culturally appropriate and effective community consultation is key to proper community development. Consultation through all phases of a company's operations forms a basis of trust and helps companies identify community needs, define the community development responsibilities of stakeholders and manage expectations among community members. Companies should consult IFC's public consultation Good Practice Manual for practical "how to" advice on effective consultation.

2. Build trust

Building trust between the company, community members and other stakeholders is essential to a successful program. Trust may be difficult to establish and hard to maintain. Culturally appropriate consultation and participation, along with good faith and transparency, are essential to building and maintaining trust between all stakeholders.

3. Manage expectations by clearly defining roles and responsibilities

New private sector development tends to raise stakeholder expectations for community development. Unless companies clearly define their commitments to community development they run the risk of failing to meet these heightened expectations. The company must also make clear that government and the community will have roles to play. Once roles and responsibilities are defined, companies should communicate these clearly and consistently. Unmanaged expectations lead to mistrust between the company and community.

4. Develop appropriate capacity

Where companies lack personnel with community development experience and knowledge of local customs and needs, people with these skills should be hired. In addition to, or instead of, developing internal capacity, companies might also work with partner organizations such as national or local governments, community groups, or NGOs to develop their capacity as partner organizations in the community development process.

5. Mobilize core competencies

Companies have core competencies that can be used to promote community development. These include their products, political and business connections, financial management, human resources, and other employee skills.

6. Set measurable goals and report on progress

Setting goals and measuring progress allows a company and its stakeholders to monitor the program's successes and shortcomings. Such transparency will be essential to building trust among stakeholders — and to the eventual success of the program.





7. Forge strategic partnerships

Often, a variety of organizations share specific community development goals with companies. Companies should form strong, strategic partnerships, when possible, with local or national governments, local and international NGOs, other local businesses, universities, research institutes, multilateral organizations, unions or other stakeholders with similar objectives.

8. Plan for sustainability

Projects should be designed so their impact continues long after the company's involvement. Projects that focus on developing community skills and capacity or improving community incomes yield more sustainable benefits than projects and programs that simply distribute goods and services. Companies can plan for sustainability with communities by building community capacity to manage projects and encouraging links with other organizations. Companies should prepare to hand over responsibility for projects to communities, governments or other organizations once the program has become sustainable and self-sufficient. Setting a timetable to hand over responsibility with measurable goals and benchmarks is essential to avoiding dependency.



INTRODUCTION

THE PURPOSE OF THE RESOURCE GUIDE

This Guide aims to serve as a resource guide to help International Finance Corporation (IFC) clients and other companies establish effective community development programs for communities located near or affected by their operations.

Companies, communities, governments, and NGOs all have a role to play in promoting development. Companies recognize that it is increasingly difficult to do business without building good relations with all stakeholders. Good community relations involves both engaging community members in ongoing dialogue and demonstrating to communities that they will derive development benefits from a company's operations. Promoting community development, then, is a key to good community relations.

Though companies are acknowledging that they have a role to play in community development, many have limited experience in dealing with complex community and social issues, particularly in developing countries. Many of the examples used in this Guide draw on lessons learned from various national companies who have a long history of working closely with neighboring communities. This Guide aims to further IFC's mission to 'promote private sector investment in developing countries, which will reduce poverty and improve people's lives.' It seeks to help interested companies by drawing on the community development experiences of some of the world's leading companies.

THE RESOURCE GUIDE'S AUDIENCE

The Guide's primary audience includes project managers, corporate affairs officers, community relations officers, human resource and purchasing managers, CEOs, senior executives, and others interested in doing community development work. The Guide may also be useful to:

- researchers or practitioners interested in corporate social responsibility issues
- community leaders in the vicinity of a project
- NGOs or community groups who are thinking of forming partnerships with companies
- policy makers who want to maximize the local development impact of companies
- consulting firms or individuals who are commissioned to carry out or design, and community development activities.

HOW TO USE THIS RESOURCE GUIDE

Each company and each community will have different needs and goals. As a result, it is difficult to set defined rules for doing community development work. This Guide lays out general principles and methods, disseminates good practice, and points readers to other resources to help develop an appropriate community development program.

The Guide's focus is shaped by the needs of IFC clients. The examples are drawn from and tailored to developing country contexts to address issues faced in IFC-financed projects. The Guide also draws heavily on examples from sectors that have large local and regional social, community and environmental impacts. Companies in the oil, gas, mining, power, transport, tourism and agribusiness sectors, as well as large manufacturing companies, face particularly strong pressure to forge good relations with neighboring communities and have taken a keen interest in community development issues.

This Guide aims to provide IFC clients and other private sector companies with practical advice to guide them through the process of establishing corporate community development programs.





DEFINING CORPORATE COMMUNITY DEVELOPMENT PROGRAMS

Community development programs are programs to promote sustainable economic growth, environmental protection, education, skills building and the health and welfare of people who live near or are affected by a company's operations. They can be managed by a company department specifically designed for the purpose or even by an NGO, or through a foundation. They might also be managed within a company's purchasing, marketing, human resources or distribution departments. Some of the most innovative community development efforts arise from cross-functional partnerships between groups within a corporation.

Playing an active community development role involves making commitments that go beyond those of most businesses. This includes:

- getting a strong commitment from the CEO and senior management to take on a positive community development role
- hiring staff with solid experience in community development
- building awareness of community development issues and needs with employees and managers
- hiring local staff with knowledge of community issues
- mobilizing core competencies of the business, including products, political and business contacts, employee skills, training, financial management, human resources, and other resources in support of community development, and
- assuming responsibility and accountability for the community development programs and strategies adopted and identifying incentives/operational practices that promote and encourage community development.

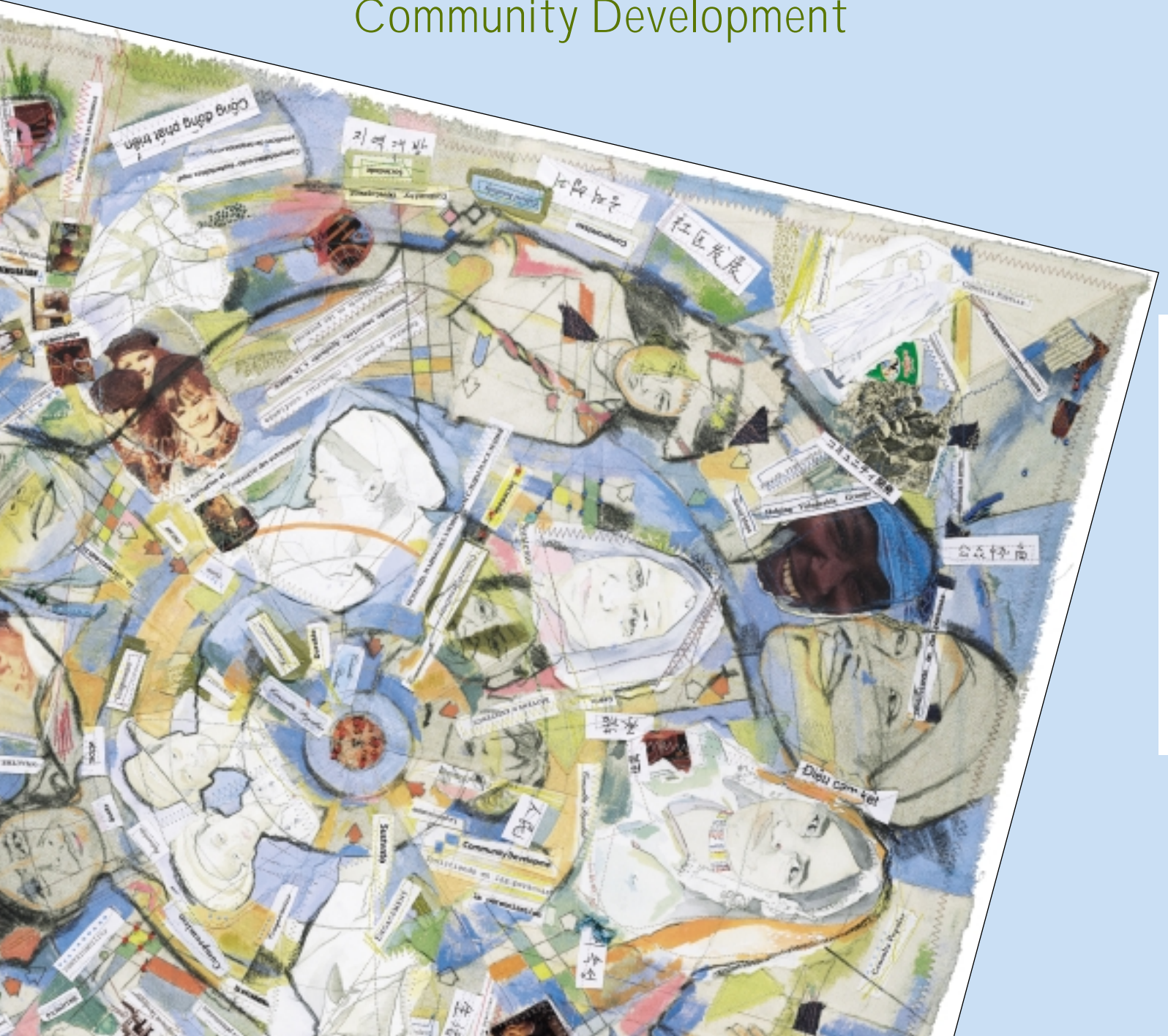
Building a good community relations and development program also involves effective public consultation. Companies should review the IFC publication **Doing Better Business Through Effective Public Consultation and Disclosure: A Good Practice Manual**. The Manual offers practical "how to" guidance to companies on developing consultation strategies and conducting culturally appropriate consultation on project-specific environmental and social assessments.

Many companies recognize the benefits of doing good community development work and choose to take on these commitments. In the process, communities benefit from companies that are better equipped and eager to assume a role as partners in community development.



CHAPTER 1

The Business Case for Community Development



THE BUSINESS CASE FOR COMMUNITY DEVELOPMENT

REFERENCE 1.1

Benefits of good community relations...

A few years after calling for a moratorium on all petroleum development activities in the Pastaza province of Ecuador, an indigenous people's organization (OPIP) and other groups began working with **ARCO** to move its oil projects forward. This was, in part, due to ARCO's ongoing efforts to support leadership among community groups, contribute to local institutions and engage stakeholders in a dialogue about environmentally and socially responsible oil exploration and community development in their concession areas. Though faced constantly with challenges and difficulties, ARCO was able to build positive working relations with various community groups in their area of operations. A key focus of concern for these indigenous peoples groups was a community development plan that would be carried out in the exploration and development phases of the operations.

Source: Mendez, Parnell and Wasserstrom

... and costs of bad community relations.

Representatives of Ecuadorian indigenous groups in Napo and Sucumbios provinces have sued another oil company for \$1.5 billion in damages in a US court. These groups claimed that the company caused environmental damage that adversely affected the health and well being of indigenous communities. The lawsuit was filed in 1994, the same year that ARCO signed an agreement with the indigenous peoples in Pastaza province to resolve through dialogue the issues surrounding its prospective oil development. In 1997, the government of Ecuador asked the US court to reopen the case in Napo and Sucumbios provinces. The lawsuit has not yet been resolved.

Some companies engage in community development work because they are committed to social responsibility and community development. However, businesses should also recognize that community development makes good business sense. This chapter highlights the business case for doing effective and sustainable community development work.

Three reasons why companies might engage in community development work are:

- to earn a 'local license' to operate
- to create strategic advantage through community development work, and
- to address specific business issues.

Not all companies choose to develop their own capacity to do community development work. Often, companies prefer an ad hoc or philanthropic approach to achieving community development goals, such as:

- participating in business forums that focus on community involvement activities
- giving money to local community development foundations or scholarships for local educational programs
- organizing employee volunteer programs with local organizations that carry out community development work, and
- forming partnerships with NGOs or other organizations that play a role in managing community development activities.

Others may go beyond the ad hoc approach and develop proactively their internal community development capacity, either by setting up a community development department, by sponsoring an NGO or by actively promoting community development objectives within existing business units.

EARNING A 'LOCAL LICENSE' TO OPERATE THROUGH IMPROVED COMMUNITY RELATIONS

As communities grow more organized and civil society continues to call for increased corporate social responsibility, many companies have broadened their definition of the 'local license' to operate. Companies commonly accept that they need a legal license from the relevant government agencies and departments in order to operate in a project area. The 'local license' to operate is a newer, evolving concept.

A 'local license' means that a company has earned the good will of the communities that surround or are affected by a project's operations.

This 'local license' also suggests that the company has demonstrated that its operations will benefit not only local communities, but also the company and its shareholders. *Indeed, this 'local license' can translate into benefits to the company's bottom line.* If a solid consultation program is part of the process of obtaining legal license, good community relations will make gaining this consent easier. Good community relations can help raise awareness of unforeseen issues or problems, avoid unnecessary conflict and hostility, create a better working environment for employees from outside the area, recruit employees from within the area, and build business links, if possible, with people and companies in the area.

REFERENCE 1.2

Company skills and resources that may contribute to effective community development include:

- the ability to generate incomes, jobs and wealth for local communities
- managerial skills
- planning skills
- financial skills
- market analysis capabilities
- marketing and communication skills
- product donation
- donation of premises or office equipment
- human resources development, and
- training.

REFERENCE 1.3

A strong community relations program involving ongoing community consultation, dialogue and a community development program helped **Shell Prospecting and Development** in Peru identify and address a potentially significant community issue. Shell had been using hovercraft to transport supplies along rivers. Local indigenous communities objected to the hovercrafts because they were noisy, physically frightening and were believed to carry demons. Through a culturally sensitive public consultation program, the company was able to address these concerns by:

- making changes in hovercraft design to reduce noise
- adding red boats to precede the hovercraft in order to forewarn community members
- instituting stops so community members could inspect for demons, and
- stopping hovercraft usage on Sundays, a day with a large volume of competing river traffic.

This consultation program helped the company identify the issue early and avoid potential delays and breakdowns in community relations.

Source: May



Good community relations, that involve both effective public consultation and positive community development impact, help minimize risks of added cost that come from poor community relations. In an atmosphere of poor community relations, minor disputes can escalate into major disagreements that may do damage to a company's bottom line. Companies that do not respond in a constructive, culturally appropriate and consultative manner could face:

- protracted delays and negotiations
- criticism and protest in their areas of operation which, in extreme cases, could lead to destruction of company property or even violence
- negative publicity in the local, national and international media
- work stoppages and strikes
- possible legal actions, and
- boycotts of the company's products or services.

'Local license' is a particularly important issue for companies or projects that:

- operate in remote areas
- operate in areas with disputed land tenure among local residents or between local residents and the company or government
- have significant environmental and social impacts, such as impacts related to involuntary resettlement, cultural property or impacts on indigenous peoples, or affect access to natural resources
- form a large part of the local or regional economy, and
- are perceived as 'foreign' or from outside of the community.

In these cases, community development programs may help a company earn and maintain a 'local license' to operate by demonstrating a tangible commitment to working with and improving the lives of local people.

CREATING STRATEGIC ADVANTAGE THROUGH COMMUNITY DEVELOPMENT PROGRAMS

Companies can gain strategic advantage through proactive engagement of community concerns and through establishing effective community development programs. A reputation as a good corporate citizen with a solid community relations and community development track record may open up new business opportunities throughout the world. For example:

- resource companies with good community records may discover that governments are offering them concessions based, in part, on their social performance elsewhere
- a good community development record could make expansion easier to 'sell' to communities, and
- manufacturing companies that make a concerted effort to maximize local capacity and forward and backward linkages in supply chains can also find that the efforts pay off in the form of access to new markets.

This will increasingly hold true as more companies begin to promote socially responsible business through their own supply chains.

REFERENCE 1.4

In 1991, **Levi-Strauss & Co.** became the first multinational corporation to establish comprehensive Global Sourcing & Operating Guidelines. These guidelines govern sourcing for the company's apparel business. Among the components of these standards is a pledge to 'favor business partners who share our commitment to contribute to improving community conditions.'

Source: *Levi-Strauss web page*

Three reasons why companies do community development work:

- To earn a local license to operate
- To create strategic advantage
- To address specific business issues



Large multinational companies have begun looking into ethical sourcing guidelines for contractors and suppliers. Two leading initiatives are the Ethical Trading Initiative supported by the UK's Department for International Development, and the **SA 8000 standard** created by the Council on Economic Priorities. The initiatives are supported by NGOs and unions as well as major companies such as Avon, Toys R Us, Nike, Reebok, Liz Claiborne, Marks and Spencer, and Levi Strauss & Co. Proactive community involvement by manufacturers could help position companies to win more business from companies concerned with ethical trading.
See resource directory for web links



COMMUNITY DEVELOPMENT PROGRAMS HELP FULFILL BUSINESS OBJECTIVES

In addition to helping a company earn a 'local license' to operate, community development programs can be targeted to meet specific business objectives. These objectives may include:

- tackling development issues that could directly affect companies' business results such as HIV/AIDS, adult literacy and education, or public health (see Reference 1.5)
- facilitating public consultation and communication between the company and communities on business issues such as resettlement, compensation/income restoration or pollution control (see Reference 1.6)
- building positive relations with local governments
- building goodwill with national governments
- staff development through employee volunteering, and
- improving staff morale and building a sense of corporate pride, particularly among local employees.

REFERENCE 1.5

Companies use community development programs to fight HIV/AIDS

Companies have discovered a competitive business advantage in fighting the spread of AIDS. AIDS devastates individuals, families and communities. In addition, AIDS adds to health and insurance bills, employee absences and forces companies to recruit and train workers to replace employees who die of AIDS.

In Thailand, the **Grand Hyatt Erawan** and the **Pan Pacific**, both large Bangkok-based hotels, have been leaders in the business effort to fight HIV/AIDS. Both companies have extensive worker education and training programs and free condom distribution for staff members. Both are active members in the **Thai Business Coalition on HIV/AIDS** and involved in AIDS prevention and treatment programs in the broader community. The two hotels also participate in a UNICEF project that offers training in hotel and life skills to young women from northeastern Thailand, the highest risk region for forced prostitution.

In Zimbabwe, **David Whitehead Textiles** developed extensive HIV/AIDS educational programs after discovering that 21% of the donors in a company-sponsored blood drive tested HIV positive. The company involved employees and the national Department of Health in an effort to create theater groups to produce a play on AIDS. The theater group and company-trained AIDS Information Officers are involved in AIDS prevention and education efforts for company employees and in theaters, nightclubs and schools in the cities where company factories are located. In the first three years of the effort, sexually transmitted disease cases in company clinics fell by over 50% and condom distribution in company clinics increased dramatically.
Source: Williams and Ray



CONCLUSIONS: TOWARD STRATEGIC COMMUNITY DEVELOPMENT PROGRAMS

Community development programs have the potential to add immense business value to companies. This value can only be maximized, however, when companies plan community development programs strategically by:

- **Defining objectives** – Companies should identify both potential business benefits of community development and the potential to meet the development needs of communities. This should help form a basis for setting goals and objectives for the company.
- **Understanding the expectations of communities and other stakeholders** – Having a sense of the different expectations of communities and other stakeholders can help all parties discover potential conflicts and common interests. Starting a program around common interests can help companies and communities build trust, appropriate skills, transparency and define goals and objectives.
- **Forming partnerships to promote community development across business units** – A community development program is more likely to benefit and gain support within a company if it involves key internal stakeholders. Senior managers, environmental affairs staff, operations personnel, purchasers, human resources staff, community and public relations staff, and employee organizations are all affected by and could benefit from a strong community development program.
- **Including community development in the company's mission** – Including community development in the company's mission helps affirm its commitment to communities. This can also help reinforce internal support for community development.

REFERENCE 1.6

A community development program helps with socially responsible resettlement

When **Tata Steel** was planning a new steel plant at Gopalpur in Western **India**, it first turned to the **Tata Steel Rural Development Society (TSRDS)**, the company's community development program. The company wanted to establish good communications links with community members to prepare for the resettlement that would accompany the new plant. They relied on TSRDS staff, who had experience with community consultation and relations, to commence work in the area, and over the next four months built up a full-fledged communication resettlement and rehabilitation team. *Source: Tata Steel*

REFERENCE 1.7

Including communities in company mission statements

"AES wants to treat fairly its people, its customers, its suppliers, its stockholders, governments and the communities in which it operates."

– **AES Corporation, Principles and Practices**

"Our Responsibilities To respect the common interest

- To participate in the life of the communities where we operate
- To operate responsibly toward the environment
- To be guided by the principles of integrity, openness and respect in our commitments"

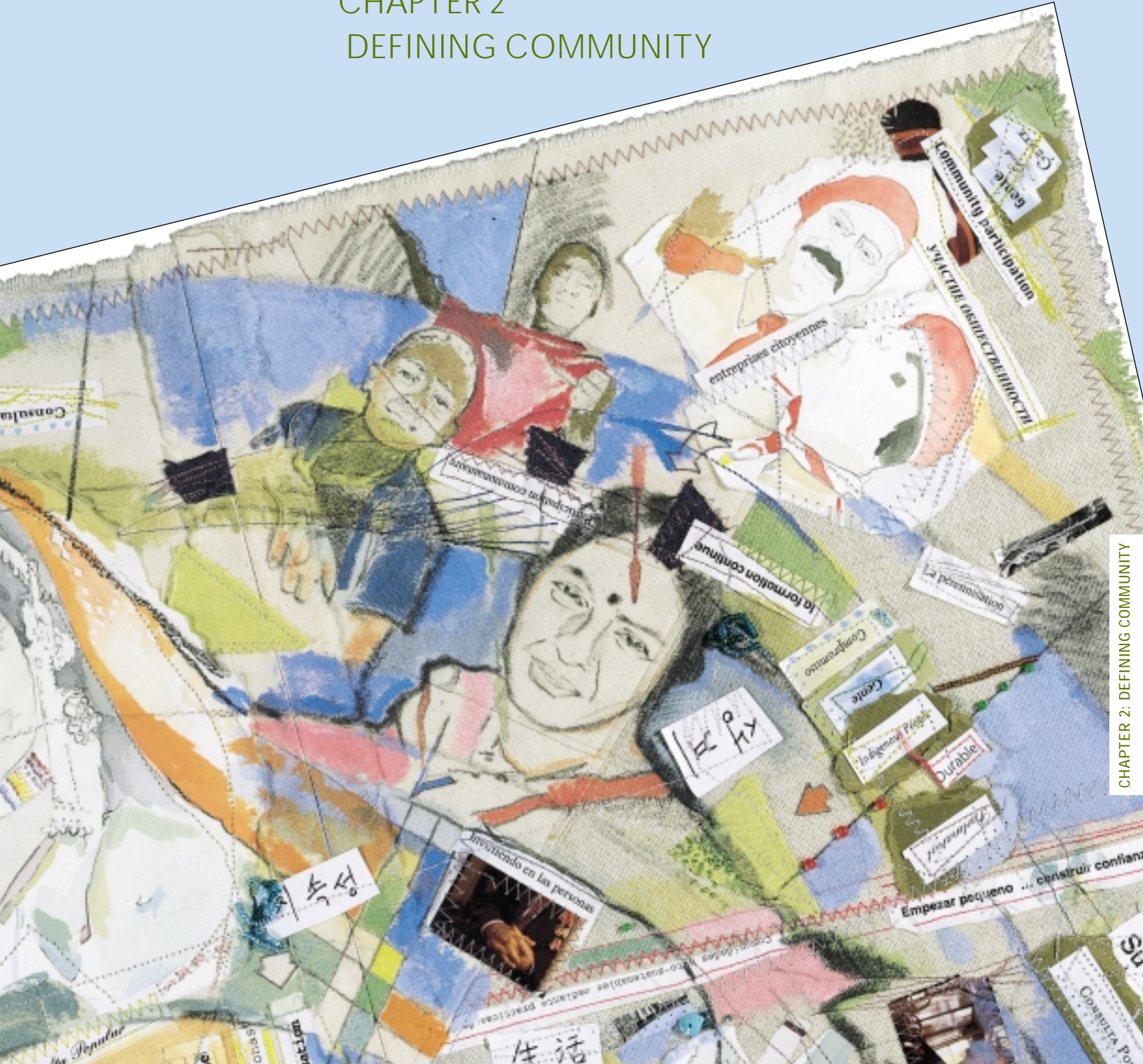
– **Lafarge Group, Group Ambitions and Values**

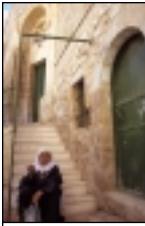
"The company should have among its objectives the promotion and growth of the national economy through increased productivity, effective utilization of material and manpower resources and continued application of modern scientific and managerial techniques in keeping with the nation's aspirations and the company shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and local community."

– **Tata Steel (India), Articles of Association, Article 3A**



CHAPTER 2
DEFINING COMMUNITY





DEFINING COMMUNITY

Before companies design community development programs, they should undertake an assessment of what constitutes 'community' in the project area. How a company defines the 'community' can vary greatly, depending on the size of the company and its community development program, the development needs of the community, the company's sector and potential for business linkages, and the business objectives of the community development program.

REFERENCE 2.1

- A company operating in an unpopulated region in Namibia during the period of South African rule chose to define the whole country as its 'community.' Choosing the whole country also enabled the company to fulfill its objectives of demonstrating that it has not only benefitted its neighbors but the Namibian people in general. The success of its program helped the company maintain good relations with the post-independence Namibian government.
- A mining company in South Africa targeted the communities within a 50-km radius of its operations. The programs enabled the company to work with people in the immediate vicinity of its operations and in a broader region. This helped it implement complementary community development programs in a large section of the province.
- A wood product manufacturer in Ecuador focused on indigenous communities with which it also forged timber-purchasing agreements. This allowed the company to fulfill its goal of sourcing supplies of timber from sustainably managed forests.

Companies can attempt to define community by creating a **social map** to help choose the focus of their community development programs. IFC's public consultation Good Practice Manual may help companies conduct a stakeholder identification program. This map can help companies target their community development programs at:

- people who have been directly affected by a project
- people who expect to benefit from a project
- people who live near a project, and
- vulnerable groups or people who are in particular need.

Companies can create a social map by answering a few key questions:

- Who is directly or indirectly affected by our business and how?
- What different groups exist in the communities around us and what are the conflicts of interest and power relations between these groups?
- Who is particularly vulnerable or marginalized within the community?
- Who lives near or is affected by the project site?
- Who are our other stakeholders? This may include relevant NGOs, community-based organizations and local government, shareholders, customers, and suppliers.
- What is an ideal balance between communities in our immediate surroundings and those in the broader region?



Key tasks to develop a social map:

- Identify the people in or near the project area through a stakeholder analysis
- Identify the social impacts of the project
- Identify other stakeholders who could have an impact on the project, including NGOs
- Balance local, regional, national and international interests, and
- Identify vulnerable groups, including women.

INFORMATION SOURCES AND TECHNIQUES

Companies use a variety of techniques to determine who is around them. Community members should always be the primary information source through public consultation and dialogue. Other methods of gathering information can range from using readily available sources to engaging researchers and consultants to help answer questions about the surrounding communities. For companies setting up larger community development programs, hiring appropriate expertise is essential. This could be a consultant or permanent staff member (ideally a local resident) with particular expertise and knowledge of both community development and the needs of the local community.

Other information options available to companies to help them define community include:

- **Government census data** – Census data can separate local communities by age, sex, ethnicity and a variety of other means.
- **Other government data** – Often governments will have data to help with planning. This could include data on income, occupation and access to basic goods and services.
- **Universities and research organizations** – Universities and research organizations may have a wealth of experience and information related to local community issues.
- **Environmental Impact Assessment (EIA)** – An EIA often highlights the information needed to begin defining the community. An EIA is an instrument to identify and assess the environmental and social impacts of a project, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures. The Terms of Reference for an EIA may require consultants to define key stakeholders, community dynamics and structure including identifying formal and informal community organizations, the presence of different ethnic groups, other vulnerable groups and individuals, and community leaders. In choosing a contractor/consultant to conduct an EIA, companies may give preference to firms that have capacity in assessing social and community issues and that have skills in undertaking public consultation activities. Make sure that firms include social scientists on the EIA team. Companies may consult IFC's public consultation Good Practice Manual to guide them through the public consultation process.
- **Baseline surveys** – for some projects, there is no reliable data on local communities. If that is the case, companies often commission social baseline surveys that may include data on:
 - how many people live in an area
 - how local people earn a living
 - age, gender and income levels
 - ethnic groups in the area
 - social and community groups (both formal and informal) that exist in the area, and
 - what leadership structures exist.

Stakeholder – Any person, group of people or organization that is affected by or can affect, either positively or negatively, the outcome of a project.



IDENTIFYING AND PRIORITIZING STAKEHOLDERS

Identifying and prioritizing stakeholders is a key task for project sponsors interested in establishing community development programs. Companies need to develop their capacity to identify various stakeholders, assess the relative importance of different stakeholders and understand the power relations between different groups.

REFERENCE 2.2

Three key questions to help identify stakeholders:

- What groups or individuals are affected by, or think they are affected by the project or company?
- Who can play a significant role in shaping or affecting, either positively or negatively, a project or company?
- Who has power and influence among the various stakeholders?

Examples of possible project-affected groups and stakeholders include:

- people owning land or assets impacted by a project
- people using agricultural land or natural resources, such as forests or rivers, on or near the project site
- squatters already on-site
- people living in areas identified for resettlement
- people living near the project site, especially those affected potentially by noise, pollution or increased traffic
- locally disadvantaged and voiceless groups, such as the poor and women, and
- indigenous or tribal groups with special ties to land, or who have specific land, resource or cultural rights that may be protected by national or international law.

Project-affected groups and individuals may not be the only interested parties. Other relevant stakeholders with the ability to influence both the project and an associated community development program may include:

- company employees
- local or national governments that may receive tax revenues from a project
- politicians and local or national governmental representatives
- NGOs or CBOs, including international advocacy NGOs, that may have a particular interest in the project, its impacts and its environmental and social performance
- labor unions affiliated with a plant or company
- members of the local or national media
- commercial and industrial enterprises, including suppliers, customers and contractors
- local universities, colleges or research centers with a particular interest in community development issues
- local religious groups and their representatives, and
- socially responsible investors or investment funds.

SOCIAL IMPACT ASSESSMENT

Social impacts of a project vary throughout the project cycle, and can be both positive and negative. A social impact assessment is frequently undertaken as part of an EIA. It is important, in trying to assess what the impacts of a project might be, to break down the project into different phases. These phases will differ from project to project, but can be generally divided into four categories:

- Project planning
- Project construction/implementation
- Project operation, and
- Project decommission/closure

The phases and impacts will vary by sector, company, country, region and project (see Reference 3.3).

It is also important to identify both direct and indirect impacts of a project. **Direct impacts** are environmental, economic and social impacts that are caused directly by a project. Companies can often respond to direct impacts through compensation and mitigation



measures. **Indirect impacts** are caused by the broader changes in the community brought about by a project. A community development program should be cognizant of and address people who are both directly and indirectly affected by a project.

At each stage in the project cycle there are questions that can help managers or community relations specialists determine who is affected and how.

Questions about **direct impacts** may include:

- Are people being resettled or displaced by a project?
- Will workers be imported from outside the project area, creating a potential for conflict with local residents?
- Will people's health and livelihood be affected by the project's adverse environmental and/or social impacts?

Questions about **indirect impacts** may include:

- Will there be migration to or from the area causing induced development?
- Will the project bring increased contact between the local population and people with different cultures and social norms?
- Will the project raise expectations among community members?
- Will there be increased traffic or increased use of public goods and services as a result of the project?
- Will communicable diseases such as measles or HIV/AIDS spread to populations who have no prior exposure to the disease or who are at risk of increased infection?
- Will local prices or the cost of living be adversely affected by the project?
- Will there be additional competition for land and resources as a result of the project?
- Will external influences increase the chances for alcohol or drug abuse?

A social impact assessment can help a company identify and respond to the indirect social impacts of its projects. Compensation for negative project impacts generally only reaches people who are directly affected by projects. Community development programs, however, can be built to respond to some of the broader, indirect impacts of a project. For example, a community development program could help target people who are affected by:

- population migration to a project area
- increased prices of basic goods and services because of increased cash flows in an area, or
- increased expectations, such as greater material aspirations due to the anticipated benefits of new development in the project area.

BALANCING LOCAL, REGIONAL, NATIONAL AND INTERNATIONAL INTERESTS

Many companies, when defining communities, choose only communities that are immediately affected by or adjacent to project operations. Though companies usually have an interest in giving their immediate neighbors special consideration, with many projects it may be prudent to consider broader regional interests. This is particularly true for companies whose operations may be one of the only or most significant drivers in both the local and regional economies. Balancing local with regional concerns can help companies by:

- **Avoiding charges of favoritism** – channeling a community development program exclusively to neighboring communities, particularly in cases where the local or regional government does not receive tax revenues from the company, may create resentment among people in the broader area.
- **Building a broader base of partners** – balancing its focus between local communities and the broader region can help a company work with new partners, including regional governments, provincial colleges or universities and NGOs that operate over a broader area.



INCLUDING VULNERABLE GROUPS

Many community development programs make the conscious choice to target particularly vulnerable groups such as women, ethnic or religious minorities, the very poor, indigenous peoples or other socially or economically disadvantaged groups. It is always important to identify these groups up front and to understand power dynamics between various groups when mapping the local community and assessing the impacts of the project.

Special targeted consultations with marginalized groups are important because:

- marginalized groups are often the most adversely affected by the negative impacts of a project and the least equipped to benefit from positive changes that may come about with the project, and
- consultation and participation of men, wealthier people in the community or of people from ethnic majority and non-indigenous communities may not always highlight the special conditions or concerns of marginalized groups.

Taking the particular circumstances of marginalized groups into account can help companies more clearly define their impacts and better focus their community development programs. For example, the socio-economic study for a gold mine in Mali was carried out with special focus groups on women, children, the elderly and landless individuals. Through these focus groups, the company learned that gold panning, which had been common in the area for hundreds of years, was mostly carried out by older women who had no other source of cash income. Though the company, as part of its operations, had to place limits on gold panning, the socio-economic study identified a target group that would face particular hardship. The company is now thinking of focusing some attention on artisanal miners through its community development program.

However, companies need to build relationships and maintain communications with all local stakeholders, including dominant local groups, if they hope to address the particular conditions facing marginalized groups. This is true because addressing or even identifying concerns specifically of marginalized groups could cause alarm among dominant groups in the local community. For example:

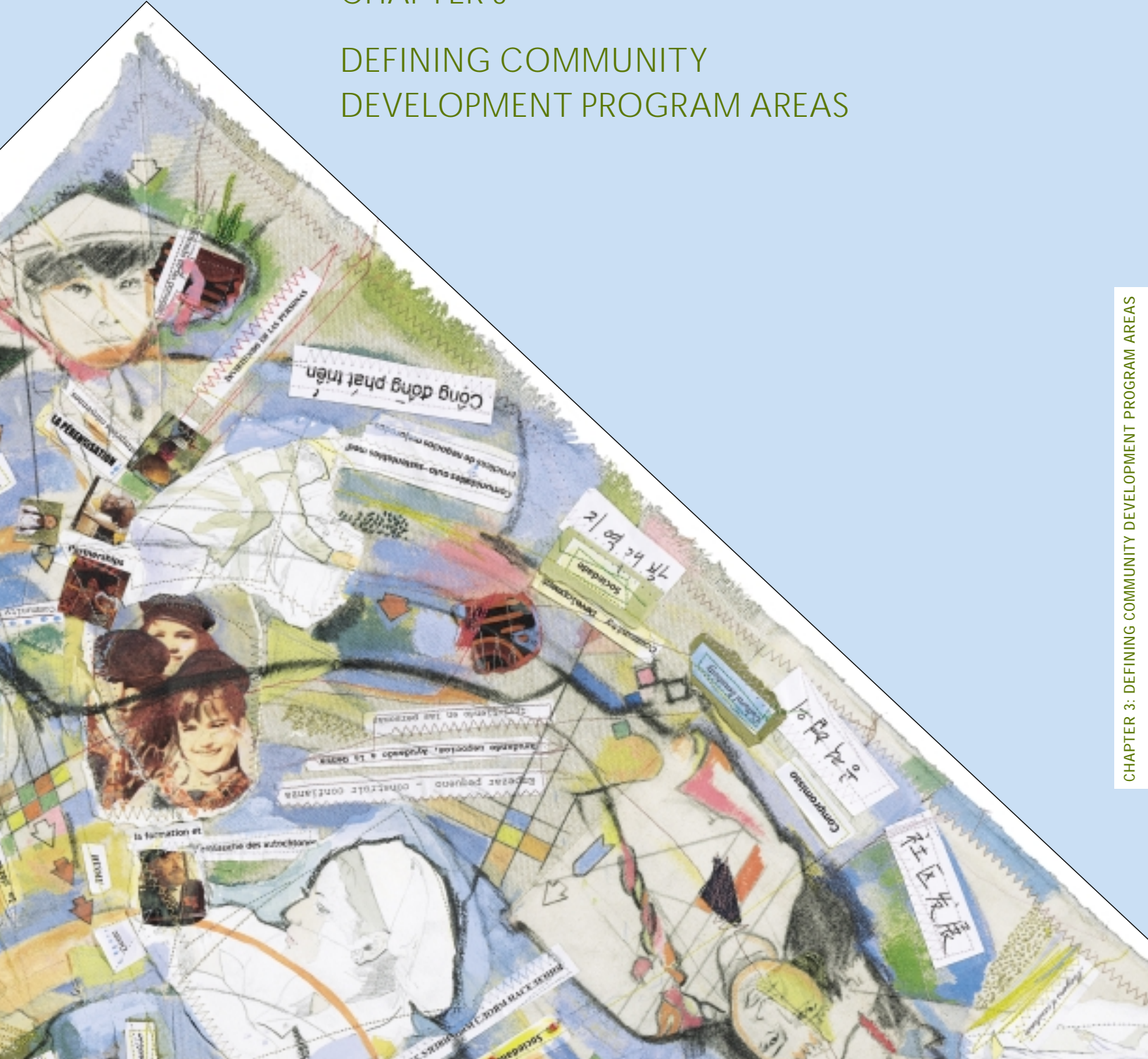
- non-indigenous peoples may grow worried if a firm focuses entirely on indigenous peoples
- men may grow wary of programs that work exclusively on the needs of local women and children, or
- landowners may grow cautious if companies focus all their efforts and consultations on landless farmers.

It should be stressed that taking into account the special needs and aspirations of vulnerable or marginalized groups does not mean that other affected groups should themselves be marginalized in the development process.



CHAPTER 3

DEFINING COMMUNITY
DEVELOPMENT PROGRAM AREAS





DEFINING COMMUNITY DEVELOPMENT PROGRAM AREAS

Companies should design program areas to address priority community development needs. Community development programs can incorporate the delivery of skills and services, livelihood activities and capacity building. Programs that incorporate the latter two tend to produce more sustainable benefits for communities.

Community development needs, and the appropriate program areas, will vary widely with each project and community. Communities should be permitted to identify their own development priorities through a process of consultation and dialogue with the company. On a broader policy level, communities, companies and governments can engage in a dialogue concerning the priority needs and the roles and responsibilities of various actors. Some key points:

- company interests and goals will help shape community development program areas
- though communities should identify priorities, it is important that programs also be linked to the company's core business activities, and
- program areas are also shaped by the company's definition of its 'community'.

Key principles in defining community development program areas

- Use all available information and resources, particularly from local or community-based sources
- Use participatory methods
- Start small, build trust
- Sequence community development programs with the project cycle

USE AVAILABLE INFORMATION

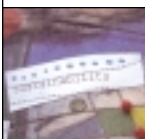
Companies should use all the information at their disposal to determine program areas. The same information collected to help define the community, such as a social map or an EIA, would be extremely helpful in defining program areas. This includes

- government census data
- information from local or national government planning or development reports
- studies by local universities, NGOs or community groups
- environmental or social impact assessments, or
- company-sponsored baseline surveys.

USE PARTICIPATORY METHODS

The process of defining program areas for a community development program is an opportunity to initiate community participation. Participatory methods for defining the community, highlighted in Chapter 2, are first steps in this direction. Engaging community members in the definition of program areas begins a process of discussion and prioritization of community needs and an assessment of available resources that is essential to development planning.

One way to foster participation by the community is to first assist community members in organizing themselves. This approach is generally known as 'community organizing'.



Reference 3.1

The Community Development Office (CDO) of **Central Azucarera Don Pedro (CADP)**, a sugar plantation and processing company in the **Philippines**, uses a community organizing approach to define community and identify program areas. The CDO's approach involves gathering baseline data about the community, establishing rapport with community members, and pinpointing potential leaders. The CDO assists in forming community organizations and cooperatives and trains members in basic management, bookkeeping and other skills necessary to sustain organizations. It then designs livelihood projects in partnership with these organizations. The CDO uses community organizing to accomplish its community development goals and to help establish trust between the company and community members.



START SMALL, BUILD TRUST

Building community trust and confidence in a community development program is essential to creating participatory and sustainable projects. CADP's community organizing approach (see Reference 3.1) started with small, manageable projects that helped build the capacity of community organizations and develop a relationship of trust between the company and communities from the outset.

Reference 3.2

The **Oracabessa Foundation** used consultation, partnerships and a process of successfully implementing small projects to build trust between the foundation, company and community. The Islands Communication Group of Companies started the foundation in Oracabessa, **Jamaica** in 1995. The Islands Group plans to develop a major tourism resort in the region in the near future. The Foundation is a tool to assist the company in its goal to build a tourism project that promotes sustainable development and real improvement in the lives of Oracabessa residents. The Foundation started modestly, forming a partnership with the local primary school to develop an organic garden, build a music program and improve facilities. It also formed a partnership with the secondary school to include computer education in the curriculum. In both cases, it built relationships with parents by working with the Parent-Teachers Association. The Foundation has since created the Oracabessa Mediation Center to promote alternative dispute resolution and to train community groups and the police in conflict resolution. It also sponsors a bi-monthly discussion forum called the Oracabessa Labrish in which community members discuss community development, environmental management and other issues of importance to the community. All of these helped the Foundation to build trust and rapport with community members.
Source: Partnerships for Poverty Reduction Website

Key elements of a participatory planning process include:

- Participatory methods should be used to involve communities from the very start of the planning process. Methods can include interviews, consultation programs and community meetings.
- Community consultation must be carried out in a culturally appropriate manner. This may include separate consultations and meetings with women, people from different age groups, poorer families or individuals, indigenous peoples and other marginalized groups. Build on the work done when defining target communities.
- Community consultations should also include organizations, federations or individuals that are chosen by community members as their representatives.
- Companies should present plans to community members and groups in advance of finalization to get community validation and suggestions for changes and improvements.
- Consultation and community-based planning should be done, if possible, in the primary language of community members. Otherwise, it should be conducted in a language widely spoken and understood by community members and leaders.
- Community consultation should be facilitated, if necessary, by training in budgeting, planning, management or other necessary skills. Take advantage of any government training programs that may not currently be offered locally.
- Companies should also coordinate with other stakeholders, such as the local and national government or local NGOs and CBOs.
- Consultations must be free from coercion and intimidation.
- Companies should try, when defining program areas, to build the communities' capacities to plan and carry out community development programs. Building community capacity makes programs more sustainable.

SEQUENCE COMMUNITY DEVELOPMENT PROGRAMS WITH THE PROJECT CYCLE

Sequencing and timing of community development activities is extremely important. Public consultation, concerning both the project and community development activities, should precede other steps in the project cycle. Both the focus and the size of a community development program may vary significantly at different points in the project cycle.

Reference 3.3

Tata Steel in India, while developing a new steel plant, focused its community development activities on training people for industrial employment. This will equip them to work in the steel plant or in other industries that develop around the plant.

Source: Tata Steel 'The Untold Story'

British Petroleum refocused its program in Casanare once its oil fields went into production due to the large royalty payments going to local governments. Community development efforts were altered to focus on methods to ensure royalties were used to effectively further the area's development.

Source: Davy and McPhail, Casanare Case

Kelian Equatorial Mining Company, a **Rio Tinto** company in Indonesia, is planning for mine closure. The company, in partnership with the Rio Tinto Foundation, started to develop alternative livelihood activities for community members, such as commercial agriculture, in the areas near the mine.

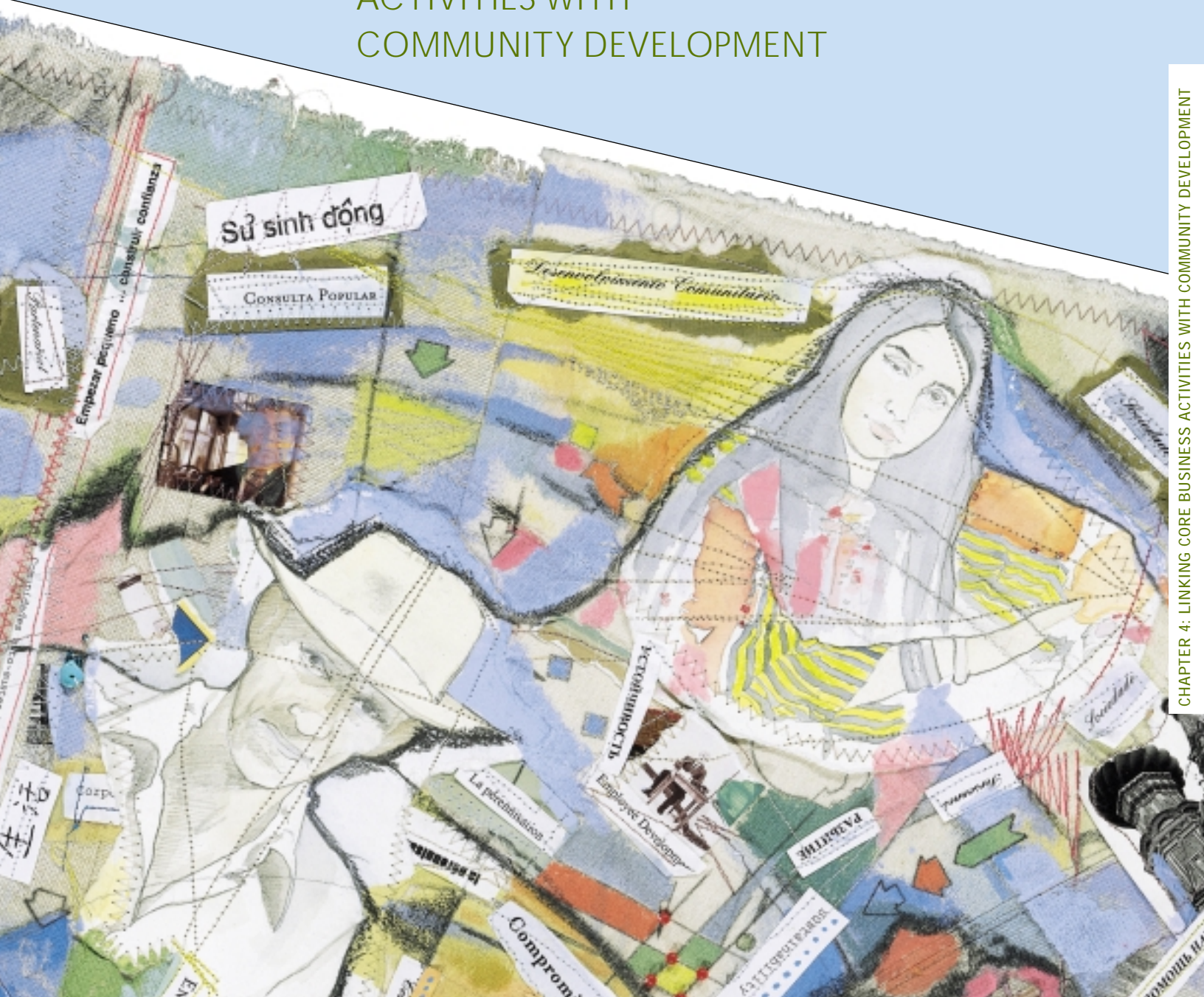
CONCLUSIONS

Properly defining program areas lays a solid foundation for a successful community development program. By consulting with the community to determine priority areas from the outset, a program establishes an atmosphere of trust and confidence that will be vital to overall success. Finally, companies must ensure that program areas retain relevance to their business objectives or risk jeopardizing their internal commitment to community development.



CHAPTER 4

LINKING CORE BUSINESS
ACTIVITIES WITH
COMMUNITY DEVELOPMENT





LINKING CORE BUSINESS ACTIVITIES WITH COMMUNITY DEVELOPMENT

Reference 4.1

Training and Employing Indigenous Peoples in Alaska

As part of its agreement with the **Nana Regional Corporation**, an Alaskan Native corporation in Northwest Alaska, the mining company **COMINCO** was responsible for maximizing employment of NANA shareholders in its Red Dog zinc mine. In response, a NANA-Cominco joint management committee was set up to oversee the mine and an employment committee was established to manage the effort to hire, train and promote NANA shareholders. Cominco expanded its on-site training programs, instituted skills sharing programs among employees, created an Engineering Scholarship Program for NANA shareholders and a School-to-Work partnership which involves a job shadow program with the Northwest Arctic Borough School District. The company also offers apprenticeship programs, tuition aid programs and a semester on/ semester off job share education schedule to help employees increase their skills to equip them for mine employment.

Source: *NANA/ Cominco Ltd*

The largest impacts that companies have on their neighboring communities and regions are the impacts of their business operations themselves. Companies' operations generate local employment, build infrastructure and pay taxes. New or modernizing business operations often raise local expectations for employment and economic activity. However, managing these expectations is a key challenge for company leaders.

Linking community development with core business activities can cost little and be highly effective. Hiring locally, making minor adjustments in plans or infrastructure to suit community needs and developing local suppliers of goods and services increases positive impacts at minimal cost to the business.

Systematically linking community development with core business operations, however, involves integrating concern for development impact into decision-making processes throughout business operations. Many companies have made efforts to maximize local employment and purchases and to leverage the core competencies of their businesses to promote community development.

MAXIMIZING LOCAL EMPLOYMENT

Hiring preferences for local employment – One way to maximize the local employment impact of a project is to give preference to people from the local area for all open jobs.

Training – If the company will be operating in the area for some length of time, it is feasible to begin training community members to take on skilled employment (see Reference 4.1). Training programs can include:

- Apprenticeship programs to equip residents with on-the-job experience
- Certification programs offered in conjunction with a technical school or equivalent organization
- University scholarships for community residents to study subjects that would qualify them for managerial and other skilled employment, and
- Training partnerships with local or national institutions or government agencies.

Key tasks to link community development with core business activities

- Include community development considerations in corporate strategic planning
- Train and hire local employees
- Subcontract locally; train local suppliers
- Tailor infrastructure to suit community needs
- Involve employees from the outset

Training programs are a potential area for partnership with local government. Companies can coordinate with government skills training or extension programs to help train the local workforce. They can also work with government to expand training programs into the area or make them more consistent with the needs of industry.

Reference 4.2

In anticipation of a future need for skilled construction workers, **AES Corporation** worked with teachers at a local technical school to offer a free voluntary training program in construction skills in the community near a prospective power plant. Though the community had a 40 percent unemployment rate, local industry had difficulty recruiting skilled labor. The program trained 200 people from the community and facilitated the accreditation of the technical school.

In an effort to employ more women at its plant in Pune, India, **Cummins Engine Company** worked with the **Cummins Foundation**, the **Rose Hulman Institute** and other businesses in Pune to found the Cummins Engineering College for Women at a local women's university. The college now has 1,000 students and serves as a training ground for women engineers for Cummins and other companies.

Source: Edwards

Misima Mines Limited, a gold mining company in **Papua New Guinea**, created training programs both for mine employment and for employment in the outside workforce. In order to maximize local employment, they established an apprenticeship program equivalent to technical college certification in mechanical, secretarial and construction trades. They offered scholarships to university and for training in nursing, occupational health and safety, mill operation, and community health. In addition, the mine's training officer conducts basic secretarial courses in the local high school and computer training for employees. The company also provides broader training to the community in bookkeeping, legal rights, village administration and community organization, all of which provide skills useful in managing local development.

Employee development programs – Companies can build local capacity by providing training to develop their local workforce. This training may be designed to equip employees with skills for new responsibilities within the company or instead simply provide general livelihood skills. Employee development programs can include everything from basic literacy and numeracy to training for managerial and other skilled work.

Community development programs targeted at employees benefit the company and the broader community. HIV/AIDS education and prevention programs, for instance, can reduce sick time, lower the number of employee deaths and, most importantly, help fight the spread of HIV/AIDS. Public health and sanitation programs reduce the spread of contagious disease, cut company medical costs and also reduce sick time for employees and their families. Literacy, numeracy and skills development programs make for more qualified employees, reduce costs due to employee mistakes and help employees find better jobs or income generating opportunities in the future.



Reference 4.3

Eskom, South Africa's largest electricity company, invested over \$50 million in employee development in 1997 alone. More than 9,000 employees have completed basic literacy and numeracy training under the company's Adult Basic Development Programme. The company has concentrated on improving the skill base of its black employees. As a result, 32% of the company's managerial and professional staff were black South Africans by the end of 1997, with a target of 50% by the year 2000.
Source Eskom website

LOCAL SUBCONTRACTING

In addition to local employment, a company can have a positive socio-economic impact in a project area by sourcing products and services locally through subcontracts with local companies. Subcontracting locally draws on existing resources in an area and expands opportunities for local businesses. It is important, however, for companies to identify ways they can promote local subcontracting while also working to avoid potential dependency of subcontractors on company purchases.

Preferences for local businesses as subcontractors are a good first step. These preferences should, however, be linked with mentoring or skills development to help local businesses win contracts with other companies in the locality, region, country or world.

Several companies have started *micro-enterprise development programs* as part of a community development program. These are often linked to specific business needs, and for this reason the risk of micro-enterprises becoming dependent on the company must be addressed. Companies use this strategy to encourage community members to start companies that may provide catering services, cleaning services, construction services or the production of a variety of products for both the company and other local businesses. Companies can also offer market research support to help small businesses aim their products at a broader regional market. With skills development and market research, companies can transform programs to promote local subcontracting into more sustainable programs designed to build the capacity and promote the competitiveness of local businesses.

Reference 4.4

Richards Bay Minerals in South Africa started an innovative micro-enterprise development program involving training for entrepreneurs and small businesses as well as broader support for entrepreneurship and micro-enterprise in South Africa. The company has joined with the Department of Education in an effort to make entrepreneurship training an accredited subject in the national school curricula. Richards Bay, through its Business Advice Centers, offers:

- training resources for small businesses
- programs to promote purchasing from small businesses
- a strategy to encourage other local businesses to purchase locally
- programs to link entrepreneurs with larger 'partner' businesses, creating a Local Business Service Center in partnership with the Department of Trade and Industry, and
- a container bank to grant small easily accessible loans to vendors and hawkers.

Supplier development programs are also a means of maximizing subcontracts to larger local firms. It is possible to develop the skills of local businesses to meet a company's purchasing needs.



Tips to promote local subcontracting:

- Make information on purchasing policies and upcoming contracts available as early as possible to allow local businesses adequate preparation time
- Break contracts into smaller pieces to encourage greater local competition
- Shape contracts to make them compatible with the capabilities of local businesses
- Offer technical assistance and training to local contractors
- Encourage outside contractors to partner with local businesses when awarding contracts
- Assist potential contractors in acquiring credit
- Help local businesses write their company profiles, and
- Provide guidance and direct local business owners to sources of management and administrative support services.

Promoting local contracting and/or building the skills and capabilities of local businesses maximizes the local impacts of company purchasing and equips local businesses to compete in regional and wider markets.

Reference 4.5

When negotiating access rights for a gas pipeline on Vancouver Island with the Cowichan Band in 1989, **Centra gas**, a subsidiary of Vancouver-based Westcoast Energy, agreed to help equip the Band to install the gas mains and connections. The company helped find a partner that could offer technical assistance, expertise and financial backing to the Band. As a result, **Khowutzan Pipeline Constructors (KPC)** was formed in January 1991 as a joint venture between the Cowichan Band and Northern Pipelines, a U.S.-based construction company. KPC brought in skilled instructors to train employees of the new company in safety, fusing, the operation of underground locating systems, boring equipment and pipe pushers. KPC won its first contract with Centra Gas in the spring of 1991 and was awarded a second contract for service in the Saanich Peninsula. The company currently has revenues of about \$10 million a year and has won further contracts with Centra and other companies.

Source: Sloan and Hill

Outgrowers' schemes are subcontracting arrangements in *agribusiness*. Companies often give technical assistance, materials and/or financing to local farmers to help them grow a particular product, which the company agrees to purchase at a later date. Outgrowers' schemes can be an effective means of creating local employment or improving the incomes of local farmers. They can also be beneficial to business operations by building reliable local supplies of raw materials.

Reference 4.6

Hindustan Lever, part of the Unilever Group of **India**, established an Integrated Rural Development Program to improve milk supplies to its dairy factory in the Etah district in India. The factory had been operating at 50% capacity and incurring significant losses because of inadequate milk supplies. In 1976, the company started a program to work with farmers to build dairy supplies through an integrated rural development approach. The company started animal husbandry projects in addition to literacy projects, health care programs, basic infrastructure projects and a concerted effort to build village development committees. As a result, basic living conditions indicators in the area have improved, the project area expanded from 6 to over 400 villages and milk supplies increased, making the dairy one of the company's most profitable units. The program benefits from the participation of managers from throughout the Unilever Group because the company uses the program as a training ground for young managers. Managers spend a period of time living in communities in the Etah district and working with community organizations. The program enables communities to benefit from the skills of the company's employees and helps the managers develop leadership skills and a better understanding of the company's rural market.

Source: PWBLF, Business as Partners in Development





Aracruz Celulose in **Brazil** started its Partners in Timber program with 2,200 farmers living near its pulp mill. The company contracts with farmers to grow Eucalyptus on unutilized land. It supplies seedlings, technical assistance on agricultural and environmental issues, financial support and a guaranteed market for their product. Farmers gain additional income from selling wood to the company. The company, in turn, gains diversified, price-competitive supplies of wood and stronger relations with local farmers.

MAXIMIZING BENEFITS FROM INFRASTRUCTURE DEVELOPMENT

Another means of promoting local development is to coordinate a company's infrastructure development with community needs. Projects based in isolated areas often require roads, electricity, water supplies and other basic infrastructure. Including communities in early planning phases helps maximize community benefits from company infrastructure. Companies can also design infrastructure plans so they not only handle company needs but also make roads, electricity, water and other resources available to local communities.

Reference 4.7

QIT Madagascar Minerals is planning to maximize the impact from mine infrastructure during the feasibility study phase of a new project. The infrastructure planning is being coordinated with a broader regional development plan. The company is exploring options that can service the mine while also developing the local tourism, sisal and lobster industries. It is balancing concerns about regional development with its efforts to protect littoral forests in the area from degradation.

Alternatively, in some cases the best policy might be to avoid infrastructure development and to build a project that minimizes external impacts to the area. This could be the case in circumstances where the secondary impacts from infrastructure development may be potentially damaging to local communities, especially when vulnerable groups are involved, such as indigenous peoples.

Reference 4.8

Shell Prospecting and Development Peru (SPDP), in its **Camisea Project**, made the decision to avoid building roads to the project and to bring in all personnel and equipment by helicopter or river transport. This approach was adopted to minimize the negative indirect impacts of population influx. Shell's policy helped limit harm to indigenous peoples living in the area who were opposed to the possible immigration of agricultural settlers and job seekers.

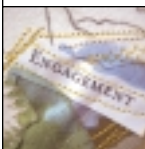
Source: May

BENEFITING FROM EMPLOYEE INVOLVEMENT

Involving employees in community development programs can help community members benefit from one of the companies' greatest resources. Employees often have skills that could be of great service to community members. For example, employees can teach basic literacy or numeracy and also offer management, organization, financial and accounting skills to communities. Promoting employee involvement in community development also benefits companies by improving employee morale and loyalty and promoting positive relations between employees and community members.

Reference 4.9

The **Philippine Investment Management Consultants (PHINMA)**, the largest cement producer in the **Philippines**, regularly involves its technical staff and management in its community development activities. Participation of senior management in the company's community development programs helps set an example for other employees and build a 'culture of community service' within the company. Employees participate by offering support to community development programs, including help with engineering, finance and



marketing for both individual projects and for partner CBOs as well as labor for infrastructure projects.

The **Tata Group of Companies in India**, through the Tata Council for Community Initiatives, has set up the **Tata Corps of Volunteers** to promote employee involvement in community development. The council makes an effort to facilitate employee involvement in community development by publicizing community development activities and encouraging managers to volunteer as an example for other employees. They have also made lists of volunteers available to various community organizations and have recognized and rewarded the volunteer efforts of employees.

Source: <http://www.tata.com/community/tcciprogram.htm>

INTEGRATING COMMUNITY DEVELOPMENT CONCERNS INTO BUSINESS DECISION-MAKING PROCESSES

Better integrating community development concerns into core business operations also involves making changes in the way companies do business. This integration is a long-term goal that cannot be achieved quickly or easily. Promoting this integration could involve:

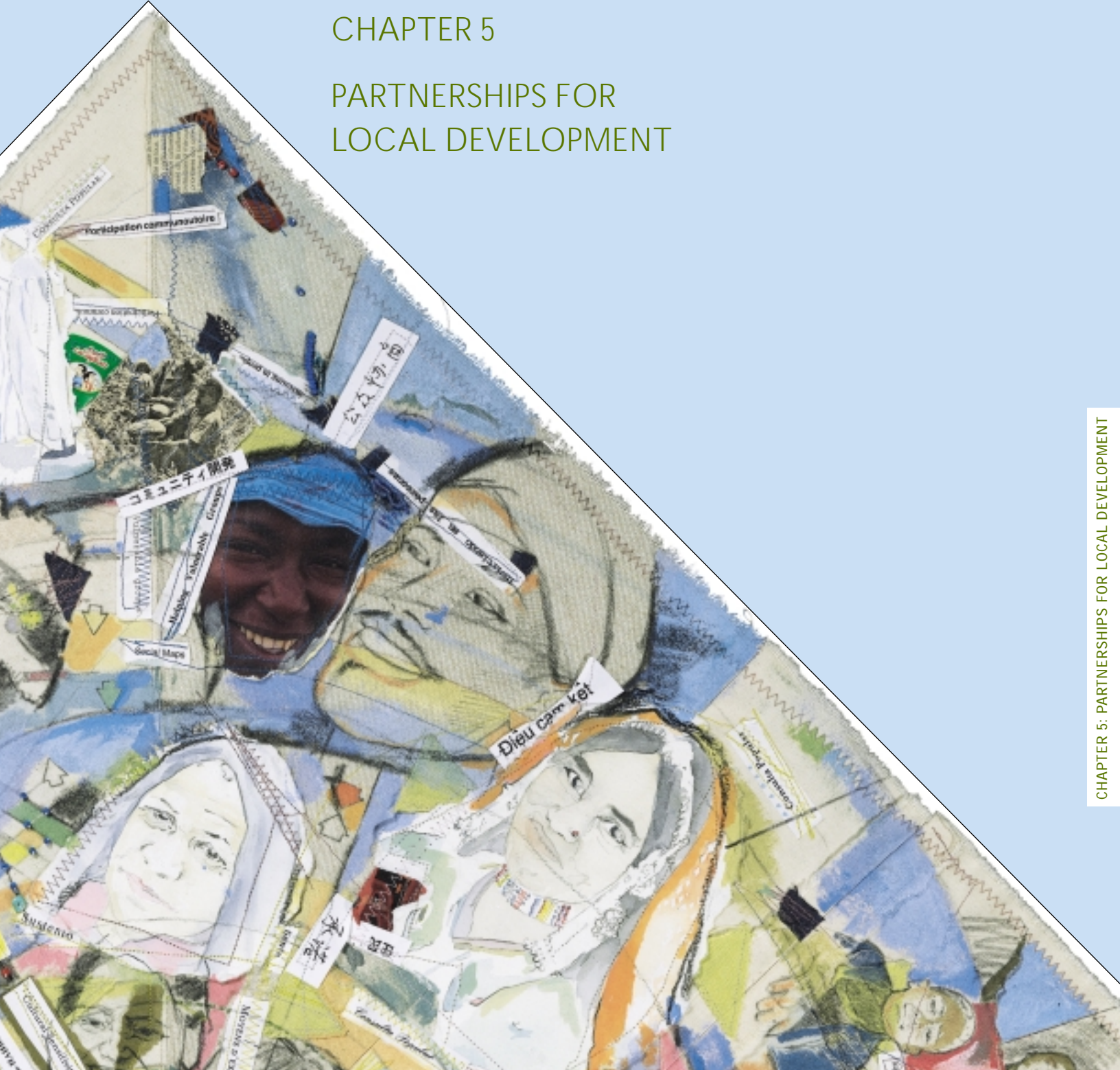
- building ownership of community development issues among both employees and management through dialogue, training and employee volunteering
- integrating community development concerns into strategic business planning, and
- including community development impact in the performance measurement of business units and employees.

Including community development issues in strategic planning and evaluation processes makes consideration of them more systematic, improves the effectiveness and efficiency of company programs, and helps companies realize community development opportunities within the business that might otherwise have gone unnoticed. Better integration of community development with core business operations can benefit both communities and companies by improving the way companies do their business.



CHAPTER 5

PARTNERSHIPS FOR
LOCAL DEVELOPMENT



PARTNERSHIPS FOR LOCAL DEVELOPMENT

It is argued that the most successful community development programs work in partnership with NGOs, CBOs, national governments, local governments, international donors, other businesses, religious institutions, universities, multilateral organizations and other organizations interested in promoting community development.

Partnerships enable companies to:

- draw on additional and complementary skills
- connect to new social networks
- benefit from local knowledge
- acquire new approaches to development
- make their community development efforts more sustainable
- coordinate different efforts in an area to maximize both complementarities and total community development impact, and
- engage the government, communities and other stakeholders in a broader policy dialogue on community development.

For example, the experience of the **Palabora Foundation** in South Africa and the **Inti Raymi Foundation** in Bolivia demonstrate how partnerships in education can add value to a corporate community development program:

Reference 5.1

The **Palabora Foundation**, linked with the **Palabora Mining Company in South Africa**, worked closely with the Northern Transvaal Department of Education, NGOs, parents and community groups to improve educational services in the state. It started eight preschools in the communities around the mine with the agreement that the Department of Education would provide teachers and the schools would be run by steering committees that include staff of the Foundation, officials from the Department of Education and members of parent and other community groups. It has since started running an advisory service to help other communities set up preschools in collaboration with the government. It worked with schools in the state to implement training programs to improve the quality of Math and Science education and worked with public schools to help them set up library services for students. By working in partnership with others the Foundation was able to take advantage of additional resources to promote lasting improvements in education throughout the state.

The **Inti Raymi Foundation in Bolivia** worked with schools in the city of Oruro to offer services as complements to the standard educational curriculum. The Center for Multiple Educational and Inter-Cultural Services aims to improve public education in Oruro by training teachers, helping schools include indigenous people's studies, computer education, arts and gymnastics into the public school curriculum.

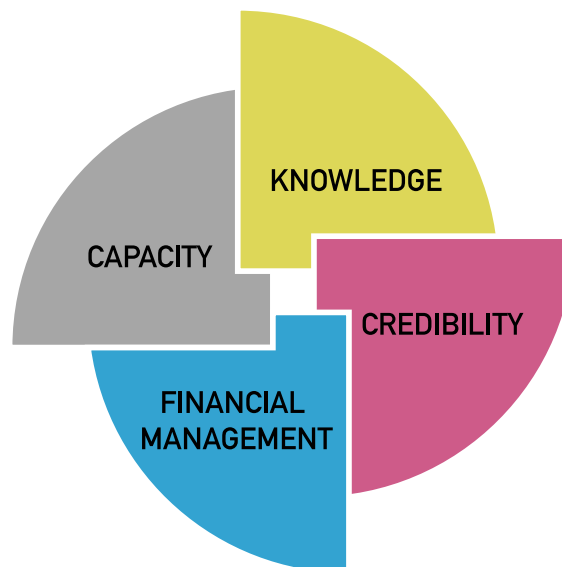




FOUR QUALITIES TO LOOK FOR IN PARTNER ORGANIZATIONS

In partnering with other organizations, companies should keep in mind these four qualities:

- 1. Capacity in community development** – Companies should partner with organizations that have community development skills that best serve the mission of the program. Skills could include:
 - consultation and participation skills
 - community-based knowledge
 - skills in implementing community-based projects, and
 - technical skills in various fields such as agricultural technology, knowledge of micro-credit, community-based forestry or maternal and child health.
- 2. Knowledge of the community** – Community ties are a particularly valuable asset. Partners with extensive experience in a community will prove invaluable to an “outside” company. However, companies should also consider who in the community is represented by potential partner organizations. If a partner organization represents the interests of particular groups within a community (men, women, landowners, artisanal miners etc.), companies should be aware of both the advantages and the limits of this representation.
- 3. Credibility** – Companies should partner with organizations that have credibility among both community members and other important stakeholders. Look for organizations that are accountable to communities and transparent in their communications.
- 4. Sound financial management** – Look for partners with strong financial management skills and financial transparency. If potential partners lack financial management experience, companies can offer training and capacity building.



KEY PRINCIPLES FOR GOOD PARTNERSHIPS

- **Clearly define partnership objectives from the outset** – Though partners must have some common goals, there will most likely also be competing goals, interests and missions. If both partners are clear about their respective goals from the outset it is easier to address potential conflicts and identify shared interests.
- **Maintain flexibility** – Disagreements or difficulties are to be expected with any partnership. Both partners must be flexible enough to face these disagreements and modify the partnership without jeopardizing the collaboration.
- **Ensure there is strong support within both organizations** – A partnership can only work if there is interest in and support for it within each organization. This support must come at both the managerial and implementing levels. Companies need to build internal support and buy-in both for taking on a community development role and for forming partnerships with other organizations. In some cases, companies must work to build government support and buy-in for their community development efforts.

Source: Corcom and Charles, McNulty and Pennell

FORMING PARTNERSHIPS WITH NGOS AND CBOs

IFC's experience in international development has shown that NGOs and CBOs have much to offer any community development program by:

- promoting community consultation, participation and environmental protection
- extending project reach and benefits to the poorest and most vulnerable, and
- introducing flexible and innovative approaches to difficult environmental and social concerns.

It is no surprise then that many corporate community development programs form partnerships with NGOs and CBOs. These partnerships can be for specific projects or broader program or policy areas. An NGO might bring general community development experience, experience in a particular area (micro-credit, community forestry, etc.) or strong ties and relationships with community members or groups.

NGOs have different capacities, strengths, outlooks, and weaknesses. Companies must keep in mind the "Four Qualities to Look for in Partner Organizations" from the previous page. Understanding the different types of NGOs could help companies select appropriate NGO partners. A broad range of organizations are grouped under the category of NGOs, including:

- **International NGOs** are usually based in industrialized countries. They can play an advocacy or service delivery role and often operate with local partners.
- **National NGOs**, like international NGOs, can play advocacy, service delivery or mixed roles. They are often based in capital cities or other metropolitan areas, but can also have extensive networks of partner NGOs/CBOs working directly with or in communities.
- **Intermediary NGOs** — Both international and national NGOs can also be intermediary NGOs. Intermediary NGOs form ties with local partners in various countries, regions and communities. They operate as intermediaries between donor organizations, communities and other NGOs.
- **Local NGOs** are based nearer to the communities they serve. These can include NGOs operating in the locality, religious organizations or other civil society organizations that may focus on community development.
- **CBOs** are organizations that are rooted in communities. They include organizations such as community-based women's associations and farmers' or fishers' cooperatives.





- **Specialty NGOs** can be organizations focused exclusively on specific development-focused themes such as micro-credit, agricultural technologies or community forestry.
- **Advocacy NGOs** — Many NGOs tend to focus more on advocacy for particular issues than on implementing community development work. Advocacy NGOs can be international, national or local.

PARTNERING WITH OTHER BUSINESSES

One of the core competencies of a business is that it belongs to a network of other businesses. Companies can form partnerships with members of their business networks to pool community development resources or to engage in broader policy dialogue with the government and other actors.

Reference 5.2

The **Philippine Business for Social Progress (PBSP)** is a membership organization of businesses that support community development issues. Businesses set aside at least one percent of their pre-tax net income for community development work. A portion of this income is channeled through PBSP, and a portion retained by the company to run their own programs. PBSP also offers assistance to member companies with their community development programs, operates programs in selected regions in the Philippines and participates in broader policy debates in the Philippines on community development issues.

In South Africa, **Alusaf Limited** teamed with **Richards Bay Coal Terminal**, **Richards Bay Minerals** and other companies involved with the Zululand Chamber of Business Foundation to turn the construction camp for an aluminum smelter into the **Zululand Chamber of Business Foundation Community Park**. The park drew contributions and support from large and small businesses in the area and currently houses a multitude of community resources and facilities. This network of area businesses aims to mobilize businesses and community leaders to respond to the area's development needs and to be a hub for regional development, education and community empowerment.

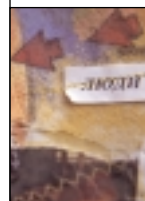
WORKING WITH OTHER DONORS

Development or donor organizations tend to partner with established community development programs with proven track records. In many cases, donors are interested in operating programs that are complementary to company efforts. Donors offer community development experience, working relations with local partners and community groups, and funding for community development programs. Donors can perform a variety of roles, including assisting projects initiated and run by a company program, and initiating and funding projects to be implemented by a company program. Company-donor collaborations can be coordinated with other partnerships.

Reference 5.3

The **Rossing Foundation** in Namibia has run numerous projects with funding from donors. The Foundation has developed a reputation as an effective development institution in Namibia, and has formed partnerships with USAID, UNDP, the EU, DFID, SIDA and others.
Source: Symergos

The **Rio Tinto Foundation** in Indonesia has developed an integrated pest management program in conjunction with the FAO and Mulawarman University in East Kalimantan. The Foundation also signed a five-year MOU to implement a tuberculosis control program in conjunction with the WHO, the Government of Indonesia and a national NGO, the Indonesian Association Against Tuberculosis.





PDVSA, the Venezuelan state-owned oil company, formed a partnership with the **Inter-American Foundation (IAF)** to improve its capacity to work in partnership with grass roots and community-based NGOs. Initially, both partners put in \$200,000 to start up a fund to support grass-roots employment, income-generating projects, agricultural projects and alternative education and training projects. More significantly, the fund helped PDVSA learn from IAF's experience working with grass-roots development. This helped shape the company's multi-million dollar community development programs throughout Venezuela. *Source: IAF website*

PARTNERING WITH NATIONAL AND LOCAL GOVERNMENTS

Gaining government buy-in and support for a community development program can be critical to the success of the program. A strong partnership with government can make a program more sustainable, perhaps with a guarantee of continued government participation. Working in partnership with government can also help to ensure that company programs are complementary to ongoing official development strategies. If the government does not support a company's program, however, it also has the ability to stop or undermine company efforts. Companies can coordinate with government by:

- facilitating the implementation of existing government projects or programs
- sharing resources and skills with governments
- maintaining regular communications with local and national government concerning development efforts
- including government representatives in the decision-making bodies or processes of a community development program
- facilitating coordination and dialogue between different government departments and levels of government, and
- engaging in a broader policy dialogue on local or regional development objectives.

Reference 5.4

Some examples of company-government partnerships include:

- A mining company in Latin America complemented its community development program by working with the national government's social fund to identify, structure and implement projects.
- A power company in Latin America drew on a government housing program to draw in over \$25 dollars for each dollar invested by the company and community. The company was able to both expand the reach of the government program and draw government resources into the community.
- The Inter-American Foundation set up several small infrastructure funds with companies operating in Latin America. A board including members of local government and representatives from the company, Foundation and NGOs managed the funds.
- A mining company in the Philippines developed a strategy to hand over its community development programs to the local government. The strategy involved training local staff for the community development program and training and capacity building for local government members.

Reference 5.5

In Cajamarca, **Peru**, the mayor started a **Local Agenda 21** process to develop a sustainable development plan for the municipality. Local Agenda 21 is a framework to promote local sustainable development that emerged out of the Rio Summit in 1992. In Cajamarca, the process was managed by a 'table of coordination' made up of representatives from the local government, government ministries, local businesses and NGOs. The plan identified priority needs for the province, existing resources and a plan to channel resources and develop industries to promote sustainable development in the province. The Local Agenda 21 process and the plan for sustainable development in the province provide an opportunity for companies operating in the province to channel some resources toward a well-defined program of sustainable development in the municipality. *Source: First Steps*

In **Papua New Guinea**, all major resource projects are now negotiated through a **'Development Forum'** process. This process involves negotiations and the creation of Memorandums of Agreement between community members, local and regional governments, developers and the national government. It defines the development responsibilities of all actors and lays out how each party can share in the benefits of the resource project.

Source: Hancock and Omundsen

The **Spier Development Trust** is working with national, provincial and local governments as well as farmers and community groups to coordinate the development of the Spier Estate near Capetown, **South Africa** as a resort and tourist destination. The estate and local government have assumed joint responsibility for managing the stakeholder consultation process. All parties have agreed to coordinate their efforts to use the estate to generate a tourist industry that would create local employment and promote regional development.

The company is working to train local residents to take on senior positions in the estate and to develop markets for local crafts and produce.

Source: Spier Development Framework

In partnering with governments, however, companies may also need to consider broader policy issues such as assessing and building government capacity, working with governments that are corrupt or hostile to community development, or promoting an equitable revenue distribution and management plan.

BUILDING GOVERNMENT CAPACITY

Naturally, in partnering with government, companies have little choice in who their partner is. The first step in a government-company partnership is to assess the capabilities of the government partner. Where deficiencies exist, the government may lack credibility locally or may even pose a threat to the success of a company's program through:

- **Missed opportunities** – Inefficient and non-transparent governments often do not spend the taxes and other resources generated by a project in a manner that would promote sustainable development.
- **Additional costs** – By not contributing resources to local development, governments can saddle companies with the entire burden of providing public goods and services to communities.
- **Project interference** – Governments could undermine, block or simply siphon resources from corporate community development efforts.

Sometimes, though otherwise credible, governments lack the capability, skills or experience to effectively manage community development efforts, as was the case with BP in Casanare, Colombia. If this is the case, some options include:

- training government employees in corporate governance, financial management, development planning or other necessary skills
- lending managerial support or advice to the government, and
- supporting civil society organizations that work on governance and accountability issues.

Where appropriate companies may need to consider avoiding government interference or, in some cases, choosing not to operate under certain regimes.

If government corruption and non-transparency are concerns, companies can encourage better government performance by example. Companies could model good citizenship by:

- publishing an annual report for the community development program that includes audited financial statements identifying all significant revenues and expenses. The financial statements should be prepared in conformity with internationally accepted accounting principles.
- building excellent public consultation programs to maintain strong, direct communication links between the company and communities. The company should use its ongoing community consultation to publicize the community development program and to disseminate or explain the program's finances.





- publicizing clear criteria for eligibility for support from the community development program. Clear criteria, combined with publicizing financial information about the community development program, would empower community members to act as watchdogs.
- working with other credible local actors.
- publicizing the tax revenues that have been earmarked for the local government or for community development spending.
- building capacity for local organizations working on good governance and corruption issues.
- choosing program areas or activities that are important to community members, but do not overlap with government areas of responsibility.

BALANCING LOCAL, REGIONAL AND NATIONAL INTERESTS

The distribution of project revenues between local, regional and national governments can be a concern for companies. If communities feel that the revenues from a project are not benefiting their localities and regions, this can lead to problems both for companies and for national governments. Companies should be proactive in encouraging the national government to adopt a responsible revenue system or management plan that leads to, among other things, an increase in the amount of resources devoted to sustainable development in the communities and regions affected by their operation.

Though it is not always the case, local governments can have stronger rooting and greater credibility in communities than the national government. If the local government is credible and effective, companies should encourage the national government to direct revenues to the local governments in the area. Several countries, such as the Philippines, Bolivia and Colombia, have instituted revenue sharing with local governments for natural resource projects. Though this may result in reductions to other revenue transfers to the local governments, revenue sharing will usually add significantly to local government revenues. In many cases, it is helpful for companies to support revenue decentralization efforts with capacity building, managerial support and training for local governments to help them handle the increased revenues that come from the project.

Reference 5.6

Developing local capacity for revenue management

One key concern in forming partnerships with local government could be the lack of local government capacity to effectively and transparently manage revenue generated by a project. **British Petroleum** is grappling with this issue with its oil facilities in Casanare, Colombia.

Casanare, Columbia is a new department, established in 1991, with relatively weak government capacity. The department has had five different governors since 1991, each with his own development vision for Casanare. The governor's office is run by political appointees, with no civil service to provide continuity between administrations. The department, then, has little ability to develop institutional memory or capacity to manage revenues.

Since BP began production in 1992, departmental revenues and revenues to municipalities within the department from oil production have increased significantly. BP's community development spending of \$6 million is dwarfed by the average of \$86 million received by the department and municipalities between 1995 and 1997. BP has offered training to department employees and gone through regional development planning exercises, but is still seeking a way to ensure these revenues result in sustainable development for the region.

Source: Davy, Mcphail and Sandoval, Casanare Case





COORDINATING WITH GOVERNMENT AND OTHER STAKEHOLDERS

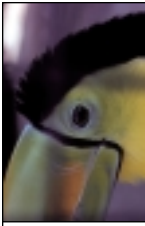
Coordinating community development efforts with government-sponsored development strategies adds value by leveraging two different but effective development tools for a common objective. Multi-stakeholder dialogues on a local level allow even further coordination with NGOs such as chambers of commerce, religious organizations and other groups. Such a multi-stakeholder dialogue may be initiated by any actor so long as there is buy-in from all parties involved.

Community development foundations offer another option for coordinating company programs with local community development efforts. Community development foundations are community-based institutions that draw resources from multiple sources to administer or fund community development programs. Several companies have chosen to coordinate their community development programs with the activities of local community development foundations to gain access to greater skills and a broader array of stakeholders.

CONCLUSIONS

Though maintaining partnerships can be difficult, the rewards in terms of combined resources and talents, improved community development programs and enhanced sustainability can be immense. Though the issues companies face when forming partnerships could vary by country or institutions, a few common themes emerge.

- **Credibility** – Companies should be careful to work with institutions that are perceived to be credible, accountable and transparent. This is crucial for building trust.
- **Commitment** – Companies must work to build internal commitment and should ensure there is commitment on the part of partner organizations. When working in partnership with government, companies should work to build or maintain the commitment of government agencies and departments to community development in the area.
- **Flexibility** – All partners must maintain flexibility to address issues arising out of their different interests, orientations and goals.



OPTIONS FOR PROGRAM STRUCTURE

Program structure is important in setting the tone, goals and values for a community development program. Structure may determine success or failure. This section discusses a range of considerations for structuring a community development program. In practice, as corporations develop their individual programs over time, different approaches will grow out of different industries, countries and business objectives.

CHOOSING BETWEEN A COMPANY-MANAGED OR INDEPENDENT PROGRAM

The first choice a company has to make is whether it wants the program to be part of the company's management structure or to be managed by a separate NGO, foundation or trust. There are advantages and disadvantages to each approach.

Some reasons why companies set up independent organizations include:

- tax laws sometimes make it beneficial to set up an independent organization
- an independent management structure could allow the community development program to have more community control than would be feasible for a company-managed program
- a separate institution can help the company separate legal liability for the actions of the community development program from those of the company, and
- an independent organization can outlive the company, adding to program sustainability.

Reasons to keep community development activities within the management of a company include:

- the danger that communication between a separate foundation and the company may be inadequate and may confuse outsiders, and
- the ease of forming community development partnerships across business units.

These issues are explored in greater detail in three in-depth case studies beginning on page 47.

SOME CONSIDERATIONS FOR COMPANY-MANAGED PROGRAMS

Company-managed community development programs can integrate business objectives with community development objectives and form strong community development-focused partnerships across different departments within the company.

Reference 6.1

In **Shell's Camisea project** located in **Peru**, the company managed its community development and community relations programs through its Health Safety and Environment (HSE) department. HSE had eight Community Liaison Officers (CLOs) who worked to consult with community members, strengthen local institutions such as indigenous peoples' organizations and implement, in conjunction with community members, community development programs. The CLOs also worked on the company's participatory Environmental Impact Assessment (EIA). *Source: May*

A community development program located within a company can achieve the best results when it has strong support from the company's CEO or senior management. This commitment from senior management serves to sensitize all staff to community development issues.

Company-managed programs, however, still need to incorporate community participation and consultation. One possibility is to create an advisory body that includes community members and other stakeholders. The section on 'Incorporating Stakeholders' in Chapter 7 offers more suggestions on building participatory, company-managed programs.

SOME CONSIDERATIONS FOR NGO OR FOUNDATION-MANAGED PROGRAMS

The case of PHINMA Group (page 59) clearly illustrates a community development program that evolved from mere charitable donations through a simple community relations program to a full-fledged development practitioner over time. NGOs and foundations can play a convening role by bringing together a community's problem solvers, activists and citizens around important local problems and issues, thereby increasing program opportunities and effectiveness. The structure and composition of an NGO or foundation is extremely important in determining how the organization functions. An organization's bylaws define the structures and procedures for governing the organization. This includes establishing the organization as a legal entity, defining the size and composition of the board of directors and establishing the framework within which the board and staff can set policy, provide fiscal guidance, disburse funds and maintain ongoing governance and review programs and operations.

Where an organization is incorporated could be important. There could be tax benefits from incorporating in a company's host country or in the country of operations. It might also be beneficial to run a community development program through a corporate foundation located in the company's home country. The cases of the Tata Group (page 51) and Escondida (page 63) provide in-depth discussions of efforts to locate community development programs outside the company structure in an NGO on the one hand and foundations on the other.

INTERNATIONAL STANDARDS FOR FOUNDATIONS, TRUSTS OR NON-PROFIT ORGANIZATIONS

A variety of organizations have developed standards for assessment of non-profit organizations. The **International Committee on Fundraising Organizations**, an association of national accrediting organizations, developed a list of five standards:

- board governance
- clear mission and public benefit goals
- open, independently audited financial reports
- truthful and accurate fundraising approaches, and
- public information available on finances, mission and program areas and activities.

BOARDS OF DIRECTORS

The board of directors is extremely important in shaping how well a foundation or non-profit organization will work. There is some agreement on proper board governance among the various accrediting organizations. Key standards include:

- the board should have an independent, voluntary membership
- the board should have at least five voting members
- the board should have regular face-to-face meetings with an attendance policy for board members
- board members should not receive remuneration for service, but can be reimbursed for expenses
- no more than one paid staff member should serve on the board, usually the executive director of the program, and
- the bylaws should include guidelines to avoid conflict of interest involving the board or staff.

Choosing membership of the board is also an important consideration. A balance of members should be chosen to meet various needs. All board members, including company representatives, should have a demonstrated interest in promoting community development.





Other considerations include:

- **Community members on the board** – This ensures some representation and direct input by people from the impacted communities. Community members often understand local problems better than outsiders and can help create ownership of a program on the part of the community. One danger, though, is that there could be conflict of interest problems if board members from the community also benefit from the community development program.
- **Members of disadvantaged groups** – It is important that marginalized or disadvantaged groups have membership or input into the board. These groups can include women, landless individuals, the poorest groups, members of religious or ethnic minorities and indigenous peoples.
- **Fundraising ability** – Board members can be extremely helpful in raising funds. A board member with strong ties to the local or national business community, for example, might have an ability to draw support from other businesses.
- **Management and financial ability** – It is critical to have board members with strong financial and management skills. These skills are crucial to running an organization well, and could help the board perform its financial oversight duties.
- **Credibility with local or national government** – A board is one means of connecting an organization with other important stakeholders. Choosing members from government, or with high credibility in the local or national government, can help strengthen relations with government.
- **Credibility with other stakeholders** – Having a board that includes representatives from civil society increases program credibility both in the eyes of civil society and, often, in the eyes of the community. Possible civil society members include people from religious institutions, NGOs, the press and universities.

STAFFING

How a program is staffed is also critical to the success of a community development program. Two important concerns in building a staff are capability and continuity.

- **Capability** – Staff should have integrity, honesty, and experience with community development, knowledge of local issues, a commitment to participation and an ability to interact with various groups in the community. Gender balance on the staff is also important.
- **Continuity** – Trust is important in creating effective community development programs. One means of building trust is by generating rapport and trust between senior management, community development program staff and community members. Companies need to have staff who will stay with a program and continuously work with community members over extended time periods. This continuity is necessary to establish and maintain trust.

Reference 6.2

The **Rio Tinto Foundation in Indonesia** expended a great deal of effort in choosing its staff. In the selection process, they chose promising people from within the communities where they operate. They put all potential staff through a training program in community development, and through a field test. They selected staff members who they observed to be the best at interacting with community members in a manner that was consistent with their mission of participatory, community-based development.



FUNDING MECHANISMS

Though companies have far more to offer than just money, funding is an important consideration in any corporate community development initiative.

Two key considerations in setting funding levels are:

- **Continuity** – A community development program needs to know what its funding levels will be in order to plan its activities. It needs to have a reasonable level of certainty that it will be able to carry through with its programs.
- **Adequacy** – A program needs to be funded at levels that are adequate to meet the program's mission or goals. If the mission is 'to reduce poverty in the 8 towns surrounding the factory' or to 'improve the quality of primary education in the municipality' then funding levels should be ample to make a reasonable contribution toward that goal.

Funding levels can be set in a variety of ways. Possibilities include:

- annual budgeting process
- an initial endowment, which would establish early independence from corporate contributions, or
- percentage of gross or net revenues or income or payroll with a minimum floor.

Attributes of each method:

- An **annual budgeting process** gives flexibility to a company in setting its annual contributions to community development. In some cases, though, an annual budgeting process could put a community development program in a difficult position in years where the company performs poorly.
- **Linking community development expenditures with revenues or profits** (with a minimum funding level for unprofitable years) provides a secure source of funds for the program. For projects that have a long start-up period before revenues start accruing, however, relying on this link might leave a community development program with no budget during the initial phases of a project. With many projects, the initial phases, which could involve population migration, the presence of outside construction labor and building or upgrading roads and infrastructure, are the phases with the greatest local social and environmental impacts. It is critical that the funding mechanisms are structured so that money is available for community development during periods of significant impact.
- An **endowment** is one funding option that can help establish sustainability for a program, foster financial independence and endow a program with a source of funds early in the project cycle. An endowment can provide a program with a secure financial base. Ben and Jerry's and Rio Tinto Zimbabwe both endowed their foundations with grants of company stock.

FINANCIAL DISCLOSURE

Financial disclosure is important to maintain the credibility and transparency of a community development program. Detailed, independently audited accounts of revenues and expenditures enable community members and other interested parties to monitor the program's finances. Full financial disclosure and a commitment to transparency are particularly effective in assuring stakeholders that the program is free from corruption.





Reference 6.3

National Charities Information Bureau standards on reporting and fiscal fundamentals

Annual Reporting: An annual report should be available on request and should include:

- a. an explicit narrative description of the organization's major activities, presented in the same categories and covering the same fiscal period as the audited financial statements
- b. a list of board members, and
- c. audited financial statements or, at a minimum, a comprehensive financial summary that 1) identifies all revenues in significant categories, 2) reports expenses in the same program, management/general, and fund-raising categories as in the audited financial statements, and 3) reports ending net assets. (When the annual report does not include the full financial statements, it should indicate that they are available on request.)

Accountability: An organization should supply on request complete financial statements that:

- a. are prepared in conformity with generally accepted accounting principles (GAAP), accompanied by a report of an independent certified public accountant, and reviewed by the board
- b. fully disclose economic resources and obligations, including transactions with related parties and affiliated organizations, significant events affecting finances, and significant categories of income and expense; and should also
- c. include a statement of functional allocation of expenses, in addition to such statements required by generally accepted accounting principles to be included among the financial statements, and
- d. include consolidated or combined financial statements for a national organization operating with affiliates prepared in the foregoing manner.

Budget: The organization should prepare a detailed annual budget consistent with the major classifications in the audited financial statements, and approved by the board.

RAISING OUTSIDE FUNDING AND SUPPORT

A corporate community development program, particularly one that is set up as a separate NGO or foundation, can and should raise funds from a variety of sources. Nearly all established corporate community development programs have made a transition toward raising money and leveraging other forms of support from governments, the community itself and other donors to support their activities.

Companies can draw on outside funds by:

- **Co-financing projects** – Several programs leverage outside resources by co-financing projects with donors. For example, two Latin American mining companies set up small-infrastructure funds with matching contributions from the Inter-American Foundation.
- **Administering donor-funded projects** – A few corporate programs bring in revenue by administering donor-funded projects. This enables the community development program to do more work in more areas, though it means the program does not get to choose what projects are funded.
- **Raising unrestricted funds** – This is the most difficult funding to get. Donors are increasingly unwilling to give unrestricted funding to organizations or to contribute funds for general operating expenditures or to a foundation endowment.

MONITORING AND EVALUATION

Ongoing monitoring and evaluation of community development impact helps companies, communities and other partners ensure that programs are having positive impacts and achieving their objectives. Companies may consider:

- Monitoring community development impact as part of the overall planning, evaluation and auditing program for the company



- Having a regular, participatory monitoring and evaluation component as part of the community development program. This can be an effective tool to change and adapt the community development program to community needs.
- Conducting periodic or occasional reviews of community development programs. These are best conducted by universities, NGOs or other independent parties.

Reference 6.4

At the **Philippine Investment Management Consultants (Phinma)**, community development is carried out by a Community Relations (Comrel) unit at each plant under the technical assistance of a Comrel Group Office at company headquarters. The company monitors community development performance as part of its overall planning and monitoring processes for the firm. Monitoring includes weekly plant level staff meetings, monthly meetings at headquarters, quarterly consultations among Comrel Officers and a semi-annual budget conference. At the budget conference, Comrel Officers report their units' performance against set targets just as would any other line manager. The incorporation of community participation as an organizing principle for the Comrel programs helps insure that community input is incorporated into the corporate monitoring processes.

CONCLUSIONS

Program structure has profound impacts on the ultimate purpose and success of a community development program. No program structure, however, can guarantee a program's success. How well a program works depends to a large extent on who is on the program's staff, how committed company staff and management are to the program's objectives, who sits on the board of directors, the cooperation and capability of partner organizations and a host of other factors. Companies should consider the strengths and weaknesses of different program structures, and employ the one best suited to the community's needs.



CHAPTER 7

PARTICIPATION AND SUSTAINABILITY



PARTICIPATION AND SUSTAINABILITY

Participation and sustainability are critical elements in creating successful community development programs. Both have been addressed throughout this document and are important in every phase of planning and carrying out a community development program. This chapter is intended as a review of participation and sustainability, and seeks to link both themes with the chapter 'Options For Program Structure'.

INCORPORATING STAKEHOLDERS: BUILDING PARTICIPATION INTO PROGRAM STRUCTURE

Culturally appropriate consultation with the local community is crucial for participation and sustainability to occur. One method of incorporating participation into a program's structure is to involve community members on the governing body or board. This alone, however, is often not enough to engage active participation from the community. Community members on the board may not be representative, or, if they are, may not be empowered to be effective, equal participants in board decision-making. The company or community development program should do whatever possible to facilitate the full participation of community members on the board. This includes:

- holding board meetings at times and locations that do not conflict with community members' other responsibilities (e.g. religious commitments, harvest time, etc.)
- holding board meetings in the primary language of the community or in another language that is widely spoken in the communities or, at the very least, having available an interpreter for those who do not speak the dominant language. This is particularly important for Board members who come from particularly vulnerable groups such as indigenous peoples or members of ethnic minorities
- offering community members training in planning, budgeting and program management, and
- making an effort to include under-represented or vulnerable groups, including women, within the community as board members.

There are a variety of other methods, besides utilizing a board of directors, for incorporating community participation into programs. Some suggestions:

- **Include participation in the program's mission statement** – Including a commitment to participation in a program's mission statement or operating principles can help reinforce a participatory approach to community development.
- **Set up advisory bodies for specific projects** – These bodies can include beneficiaries of the projects, staff of the community development program and other local stakeholders. They could serve as a forum for community input or they could be placed in charge of managing the project.
- **Create a formal channel to address complaints, criticisms, commendations or constructive advice** – Community members, partner NGOs, local government officials and other stakeholders should know where to go with criticism or advice. There should be some easily accessible and transparent process by which the program or company responds to criticism or advice by individuals and groups. This could be set up in the form of an ombudsman office. For information on IFC's office of the Compliance Advisor/Ombudsman go to www.ifc.org/cao.





- **Create a staff that values participation** – Companies can include responding to community feedback and eliciting participation as a significant part of the job description for community development staff and choose staff accordingly.
- **Use participatory methodologies** – This is vital to each step in the process. This Guide stresses participation throughout; from defining community and defining program areas to forming partnerships and structuring a program.
- **Build and support community organizations** – By supporting community organizations, companies help to foster and enable an ethic of participation in the community-at-large.
- **Build participation into partnership efforts** – Encourage community groups or leaders to initiate contacts with NGOs or governments to discuss and address their community development needs. The company, by acting as a mediator, can both build stronger partnerships and promote participation.

BUILDING SUSTAINABILITY INTO PROJECT AND PROGRAM STRUCTURE

There is often a direct link between participation, partnerships and sustainability of specific projects. Specific projects will be sustainable if they can survive and prosper beyond the company's involvement. This is not likely to happen unless the community takes an active interest in continuing the project. Community participation is necessary to generate community ownership of projects, which is necessary for project sustainability.

Some suggestions for building sustainability into projects:

- **Build and support community organizations** – A community organizing approach to projects builds community capacity to take projects over. Strong community groups make for more sustainable projects.
- **Require community or government co-financing** – One way to ensure sustainability is to diversify financing sources for projects. Requiring community or government financing both builds a broad base of people who are interested in maintaining a program and a broader array of funding sources.
- **Form partnerships with other organizations** – Companies should try to work with other organizations that have the resources, technical capacity and will to continue projects. Possible partners include local governments, national government agencies, and other aid organizations or civil society organizations with a local presence.

Reference 7.1

The **Palabora Foundation**, started by the **Palabora Mining Company** in **South Africa**, developed a mission statement that stresses community partnership.

'The Foundation's Mission is to promote and support the holistic development of disadvantaged people in communities. We also believe in initially retaining operational involvement in the projects we undertake. All our projects aim to develop the communities they serve to the point where ownership of the project can be progressively transferred to them once sustainability through community committees has been established.

In all its work, the Foundation takes a long-term view of community development and strives, in partnership with communities, to encourage the growth of the following:

- a significant pool of technically skilled, educated and literate people
- an efficient community management structure
- community pride and loyalty
- leaders who epitomize these qualities, who are able to lead and manage wisely and are committed to the welfare of their people.

The Palabora Foundation also incorporates community involvement in individual projects through project advisory boards. Advisory boards involve project beneficiaries, other communities, NGOs or other partners and staff from the foundation. They are in charge of managing individual projects. This provides community members and all other stakeholders a formal means of developing, running and shaping the foundation's projects.





Reference 7.2

The **Inti Raymi Foundation** in Bolivia was able to make some projects sustainable through partnerships. The foundation started an urban forestry program in the city of Oruro. The Foundation formed a partnership with the army, which provided labor, and with Caritas, a Catholic charity, which provided fertilizer and other materials to nurture planted trees. After the foundation demonstrated the program's success, it turned it over to the city government, which continued and even expanded the project.

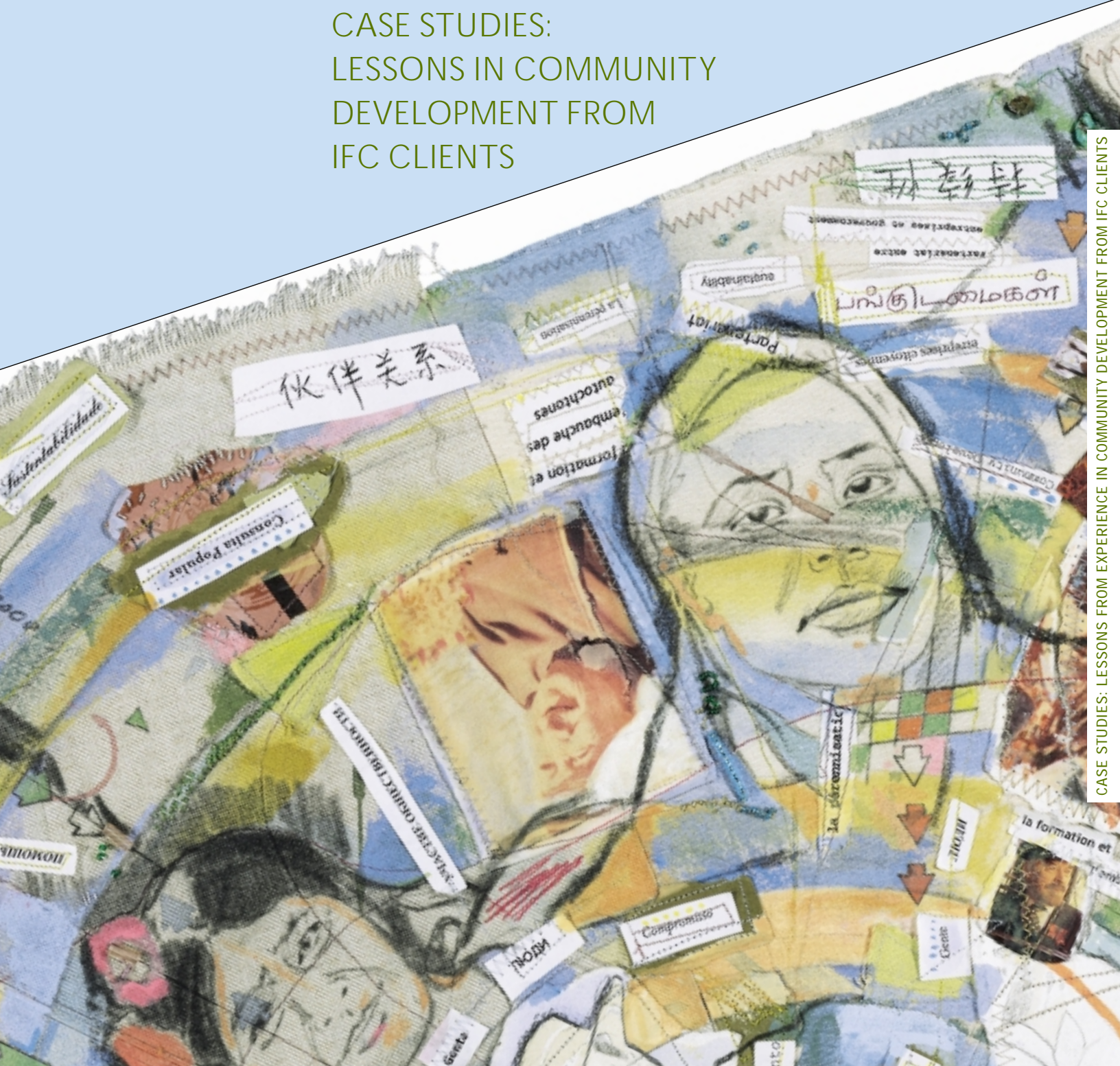
It is also important to develop a plan for sustaining a community development program as a whole. Some options for sustaining a program include:

- **Building an endowment** — Some companies have set aside money to build a small endowment for their community development program. This endowment provides funds for the program to continue beyond the life of company funding.
- **Raising outside funds** — Many programs begin to raise outside funds for their operations as a whole, or to fund specific programs. Companies should note that it is difficult to get donor funding for general operational expenditures, but much easier to get funding for specific projects.
- **Raising local funds** — Another option is to turn to other businesses and individuals in the area to raise money to continue a program. This serves the dual function of bringing resources into the community development program and building a broader sense of community ownership.

CONCLUSIONS

The specific suggestions above can help a company move toward participatory, sustainable community development programs. It is extremely important, however, for companies to incorporate concern for participation and sustainability into all of the decision-making related to community development. Both are key concerns throughout the process of engaging in community development activities and are best addressed if the company and the community development program are dedicated to the ideals of participation and sustainability.

CASE STUDIES:
LESSONS IN COMMUNITY
DEVELOPMENT FROM
IFC CLIENTS



CASE STUDIES: LESSONS FROM EXPERIENCE IN COMMUNITY DEVELOPMENT FROM IFC CLIENTS

INTRODUCTION

CASE STUDIES: LESSONS IN COMMUNITY DEVELOPMENT FROM IFC CLIENTS

Many of the world's corporations are learning to become better corporate citizens. One area in which a corporation can express its commitment to good citizenship is in its participation in community development activities. The three case studies discussed in this section are an attempt to understand how individual businesses evolve as corporate citizens engaged in community development. They look at how three very different companies have learned to practice community development over time and how their different approaches are often reflections of each company's particular vision, industry, community and business objectives. These case studies are also meant to enable companies to reflect upon their own experiences and see how they can learn from these examples to make their own community development efforts more valuable and productive.

There are important differences but equally important commonalities between the companies featured here — all three of them are IFC clients. All of the companies have mining and/or quarrying activities that extract natural resources from the communities in which they work. They all have at least some operations in remote areas that bring them into contact with communities that are culturally distinct or economically, socially and politically vulnerable.

In order to strengthen commitment within the firm and ensure sustainability, each corporation ties community development to core business and involves senior management to some degree in oversight. Each company has chosen specific organizational solutions to guide their community development schemes. These different organizational solutions share one key ingredient – corporate participation and involvement.

These companies have all begun to look more systematically at the long-run social returns to their community development programs. This often leads to the encouragement of greater community participation in the program and a firmer company-wide commitment to a new role — that of facilitating development.



CASE STUDY 1:

Tata Iron and Steel Company (TISCO): Creating a Company-Sponsored NGO for Community Development



TATA IRON AND STEEL COMPANY (TISCO): CREATING A COMPANY-SPONSORED NGO FOR COMMUNITY DEVELOPMENT

Tata Iron and Steel Company (TISCO) - Tata Iron and Steel Company (TISCO)¹ was established in 1907. It was the first of the Tata Group of companies and the first steel company established by an Indian national. TISCO is headquartered in Jamshedpur in Bihar State. The company also has mines, quarries and plants in the state of Orissa. The International Finance Corporation (IFC) first invested in TISCO in 1980. IFC's current investment in TISCO consists of both debt and equity financing. Between 1997-98 (FY98) TISCO produced 3.0 million tons of steel.

Defining and Investing in the Community

"There is little doubt that the technical resources and managerial talents of organized industry have a function in the society and an obligation to the community much wider than the mere discharge of their primary business function. The aim of industry should be to discharge its overall social responsibilities to the community and the society at large where the industry is located."

J.R.D. Tata (1969)

"I do believe that we in The Group have held a view and hold a sense of purpose that our companies are not in existence just to run our business and to make profit – and that we are responsible and good corporate citizens over and above our normal operations. By that, I mean, that we play a part in the community and we shoulder community responsibility as part of social responsibility of our nation. And, those responsibilities are not to be confused with employee welfare, but they go beyond our own employees and in fact concentrate on the contribution to the community and to the nation."

Ratan N. Tata, Chairman, Tata Sons (1996)

TISCO or "Tata Steel", as the company is more commonly known, has a long tradition of investing in the community. This tradition began with J. N. Tata (1839-1904), and has been carried on by subsequent generations. The notion of "community" as defined by the Tata Group has evolved as expressed in their vision and mission statements. J.N. Tata's vision was to develop a model city with open spaces and parks for recreation for Tata's workers, while building India's technological capacity for heavy industry. While maintaining its focus on the local communities where its operations are located, over time the company has also increasingly invested in the economic and social development of the larger society.

J.N. Tata was motivated by the desire to "create wealth for the nation" and make India independent of British economic domination. He founded Tata Steel and a technical research and training institute to properly train future employees of Tata Steel. Indeed, TISCO could not have flourished without a major investment in broad-based technical training of workers from throughout the country.

The firm's primary community has generally been seen as the inhabitants of Jamshedpur and its adjacent rural communities.² Jamshedpur is the quintessential "company town" born from the shanty town that grew up around the steel plant in the village of Sakchi. The population of Jamshedpur was made up of the rather modest local population and the vast influxes of migrant labor from regions as far north as Rajasthan. The wide-ranging nature of TISCO's activities associated with the extraction of coal, limestone and iron for steel production, brought the company into contact with communities far beyond Jamshedpur. As a result, TISCO invests both in the tribal communities near its extraction activities and in the communities of migrants and residents of Jamshedpur and its other industrial sites.

Toward Sustainable Community Development through a Local NGO - TISCO began investing in local communities soon after the Jamshedpur plant started production in 1907.

¹ The company is registered as Tata Iron and Steel Company (TISCO). Tata Steel is the company's logo. Tata Sons is the holding company of Tata Group.

² See CD Guide Defining Community (Chapter 2).



People from around the country poured into Jamshedpur in search of employment and a shanty town sprang up. A significant number of tribal peoples descended from the surrounding hills to join migrants as unskilled laborers in the steel works. This influx of people to the area, combined with a general lack of public services, resulted in outbreaks of infectious disease including cholera and malaria.



Based upon a TISCO financed independent research report on the state of social welfare in Jamshedpur, the company decided in the early 1900s to form cooperative societies. The company formed these societies in order to fill the gap caused by the inability of the then subnational government (the governments of Bihar and Orissa) to finance basic social services (e.g., wells to improve the town's water quality). TISCO's approach to community development has always been fundamentally shaped by the unique and diverse nature of the communities it affects.



By the 1970s the company's community development activities had shifted from a focus on urban areas to include rural development. To spearhead an intensive rural development effort, TISCO created a specialized team to determine the scope and nature of its involvement. TISCO commissioned a study by Xavier Institute of Social Service (XISS) that recommended the creation of a separate agency dedicated to rural communities.

1-4 TISCO's community development activities create trust between the company and locally affected peoples.

TISCO decided it would be best to work through a community-based NGO due to the particular character of the affected populations, their degree and type of interaction with the market economy and larger society, and the impact rapid political and economic change had had on their lives. A decentralized NGO under an umbrella organization with a small administrative core can often more easily obtain information on local issues, build trust and respond more flexibly to community needs, and partner with existing NGOs (e.g., irrigator and fishermen's groups). An NGO as conduit also enhances the program's sustainability especially in remote and/or culturally distinct communities and frequently enables the company to define a more effective exit strategy.³

Working through an NGO on community development is not an entirely novel approach. However, forming a new NGO rather than partnering with an existing one



³ The structure of an NGO that is a CBO is different from that of an NGO that is a company-sponsored foundation. Foundations tend to have a more centralized structure in which boards and companies exercise a greater degree of direct control over the choice of programs and partners. For this reason, foundations tend to subcontract/designate responsibility of community-based implementation to CBOs.

is relatively unique. This was the path taken by TISCO because they felt confident that their experiences in forming rural cooperatives early in the twentieth century plus the Tata Group's seventy-plus years⁴ of investing in India's social development qualified them to run the NGO. Ultimately, this local NGO, the Tata Steel Rural Development Society (TSRDS), which TISCO founded in 1979, grew into a full-fledged rural development agency⁵ that became highly decentralized with units in different cities and states in India.

Tata Steel Rural Development Society (TSRDS) - TISCO's work in rural development started as a small unorganized effort in 1958. Its principal aim was to "undertake, promote, sponsor, assist or aid directly or in any other manner" any activity that will promote social and economic development in rural areas where TISCO is located. When TSRDS was formed, it began rural development activities in a cluster of 32 villages around Jamshedpur. Over the years TSRDS has expanded its area of operations to encompass over 600 villages surrounding TISCO's major businesses in the states of Orissa and Bihar. TSRDS's current budget is Rs. 30 million (roughly \$US 650,000).

Organization and Management - TSRDS operates through seven local units and has its headquarters at Jamshedpur. Unit Heads, who are drawn from the Rural and Tribal Services Division of Tata Steel, manage the local units. Each Unit Head reports to the Divisional Manager of Rural and Tribal Services, who also holds the title of Secretary, TSRDS. In this way TISCO maintains management control over TSRDS. This interesting hybrid of a lateral organization from the company across to the NGO is of great importance since the company's managerial skills are, in this sense, transferred to the NGO. The company also has a greater ability to link the NGO's activities to TISCO's core business (below).⁶

Each unit head has administrative and financial powers, which he or she is able to exercise independently. Senior corporate managers authorize budgetary allocations beyond the purview of the

4 Tata Group has financed national-level social welfare education. It established the Tata Institute of Social Sciences after the political, social and economic turmoil brought about by Indian independence in 1948. The Institute grants graduate degrees in the social sciences and also offers short courses to mid-career executives (e.g., police officials).
 5 As an NGO formally registered in 1979 under the Societies Registration Act (TSRDS) has tax-exempt status and can seek funding from external sources. As a "society", TSRDS also became eligible for international funding in 1992 under the Foreign Contribution Act. Under these laws TSRDS is a legally constituted NGO, and not a foundation or company.
 6 See CD Guide, "Options on Program Structure", Chapter 6.



5



6



7

5-8 From family health initiatives to cultural programs, TISCO and TSRDS improve the lives of local community members.



8

NGO staff, depending upon the magnitude and type of request. TSRDS headquarters monitors the annual action plans each individual unit makes and monitors their progress every month. The “Core Group” of TSRDS, composed of unit heads, professional headquarters executives and staff, meets every four months to discuss progress and determine future courses of action.

The staff of TSRDS is composed of both TISCO employees on loan to TSRDS and TSRDS direct-hires.⁷ The professionals on loan to TSRDS⁸ are governed by TISCO and are like any other employee of the company. The second group of employees are taken on as permanent staff on the TSRDS payroll drawn from a TISCO Fund, their contracts ranging from 1 to 3 years on average but they do not depend on the company for their remuneration. This second group is governed by TSRDS’s own Code of Conduct.

While Jamshedpur has the largest TSRDS office serving about 400 villages, most of the remaining TSRDS units manage between 40 and 50 villages. TSRDS has had to design approaches to overcome what it terms the “initial unresponsiveness” of remote villagers whose distinct way of life, socio-economic status (i.e., tribe and caste) and experience with the dominant culture have made them vulnerable and wary of outsiders. According to TSRDS, many villages are “extremely isolated, hidden deep in the forests”.

TSRDS assists communities in accessing government services and benefits (e.g., welfare payments). In order to strengthen vulnerable communities to undertake development, TSRDS also deals with the issues faced by culturally distinct groups and the poor and powerless. According to R.K. Singh of TSRDS the initial distrust encountered in some communities “is rooted in a deep sense of isolation. The task before us was to basically restore dignity, create a sense of equity, while also addressing some of their material needs”. In response, TSRDS developed a cultural heritage program to preserve the languages of tribal peoples and ethnic minorities. The tribal population comprises disparate tribal groups such as the Bhumji, Santhal, Ho, Kharia, Birhor and some minority groups.¹⁰ TSRDS uses its cultural heritage program to teach adults and children to read and write in their own languages and reports that, as a result, remote communities are showing increased participation and a growing sense of project ownership.¹¹

Since communities differ from one another, no set pattern of activities is implemented (e.g., infrastructure, income generation). While the approach is similar, a generalized blueprint will not work. The choice of development activities varies according to the priorities of each community. Partnerships are therefore key to successful implementation (Annex 1).¹²

7 Memorandum of Association of TSRDS, in which the steel company is a principal promoter of TSRDS and agrees not only to assist it with financial aid but also to spare executives from the company in order to professionalize the operations of TSRDS. As such, the company pays these professionals while they work for TSRDS.

8 Personnel drawn from the company are trained development professionals and are social scientists, chartered accountants, civil engineers and physicians who have adapted to the working conditions in rural areas. They are seen as planners and team leaders. They are an interdisciplinary group of specialists in agriculture, forestry and paramedics (health care paraprofessional/health auxiliaries), engineering, materials management, etc. Building their capacity through intensive training and exposure is stressed and each staff member is looked upon as a repository of information and experience. There are 45 staff members (thirty-eight officers and nine supervisors) on the TISCO payroll and 193 staff on the TSRDS payroll.

9 TSRDS. 1998. Tata Steel Rural Development Society brochure. Jamshedpur: TSRDS.

10 TSRDS reports that when it first entered, “The villagers were suspicious, indebted and unwilling to respond. The local maharajas had exploited them and pushed them into a withdrawal. Regularity of meetings and allowing the villagers to express themselves... (plus) ...perhaps the neutral position of the Tribal and Harijan Welfare Cell helped us to break barriers with individuals becoming responsive. It was then that we began forging a program based on mutual experiences.” Action begins with a token contribution from the people. An amount of Rupees one hundred is donated by each of about hundred households. This “fund” was deposited in a bank, matched by some funds and expertise from engineers, doctors and teachers who volunteered. In addition, we mobilized professionals and social workers for the locality.

11 The role of the Tribal and Harijan Welfare Cell is to help strengthen existing community-based organizations in such a way that the community not only feels included but can “sustain itself thereafter”. TSRDS first selects a volunteer authorized by the traditional tribal leadership “to make a small beginning.” TSRDS has therefore graduated from using a “development agency” approach to one that is a “catalyst” for facilitating change. In these rural areas villagers are the planners, implementers and monitors of their own development process.

12 See CD Guide, “Partnerships for Local Development”, Chapter 5.

Social Responsibility as Core Business - The programs of TSRDS are aligned to meet the key performance indicators set by the Managing Director of Tata Steel. Corporate Social Responsibility is directly related to core business in TISCO's strategic framework. The Managing Committee of TSRDS that handles administrative functions and finances the Society is made up of TISCO senior executives and unit heads of TSRDS. The Society is accountable to the Managing Committee of TSRDS for its budget and the approaches it takes to developing its operations.

TSRDS: PARTNERING FOR COMMUNITY DEVELOPMENT

TSRDS: EVOLUTION FROM COMMUNITY PHILANTHROPIST TO PARTNER

The Society's entire approach to development has undergone a complete metamorphosis – from donors and givers to facilitators.

"This was a result of the realization within the team that we had been spreading ourselves too thin doing practically everything and anything that came as requests. The objective was nebulous. TSRDS saw this as one major area of re-engineering it could undertake in order to reach out effectively to the community with a defined objective and time frame. Team TSRDS believes that development is a process of learning that will never end. Hence to say that "Weaknesses" were resolved would not be correct. Yes, the learning is discussed and shared with the team the practices that work are adopted diverting us from what is not accepted by the community. Programs and approaches therefore keep changing, incorporating learning experiences, as this is a continuous process".

Shakti Sharma, Secretary, TSRDS, June 12, 2000

Communities use their own resources to supplement the financial assistance they get from TSRDS for programs and projects in agriculture, infrastructure, health, education, sports and youth development, women's development and income-generation. To supplement the incomes of the poor, TSRDS undertakes microenterprise development through a tri-lateral partnership between itself; community-based organizations (CBOs) made up of local residents and CALO (Committee for Assessment of Local Organizations) who screens CBOs before TSRDS partners with them.¹³ TSRDS also works in partnership with local government. The Society trains and then partners with local microentrepreneurs who become suppliers to the company. In some cases, these microenterprises have grown to become important commercial entities.

PARTNERSHIPS WITH THE PUBLIC SECTOR AND PRIVATE INDUSTRY

"Government alone cannot handle this task and it is for enlightened industries and voluntary organizations to interact in the area of rural development. Participation can come in any form – it can be land, labor, money or materials".

Ratan N. Tata, Chairman, Tata Sons

One of the major contributions of TSRDS is its role in social capital building by engaging local, national and international public and private partners for the development of local rural communities in India.¹⁴ These partners are:

- State and Municipal Government Agencies have historically called upon TISCO to assist them whenever the country faced an emergency caused by a natural disaster or political crisis. The 1988 Bihar earthquake is one example. Extending its relief beyond

¹³ In order to select suitable screening agents, See CD Guide "Four Qualities to Look For in Partner Organizations", p. 37 in *Partnerships for Local Development* (Chap. 5)

¹⁴ See CD Guide "Building Sustainability Into Project and Program Structure" in *Participation and Sustainability*, Chapter 7, and *Partnerships for Local Development* (Chap. 5)

Jamshedpur or areas adjoining its operations and other locations, TISCO responded to the earthquake in Uttarkashi (in state of Uttar Pradesh) in 1992 and to the cyclone victims in the recent devastation in Orissa. In summary, TISCO has complemented state and municipal government services in three major areas: emergency relief services, dispute resolution during political and social crises and welfare services. TSRDS has complemented most of these short-term services by focusing on microenterprise training and rural economic development.

- Public and private academic and technical training centers give Indian students the opportunity to apply their training to rural development as TSRDS interns. Participating centers of learning are: the Indian Institute of Forest Management, the Tata Institute of Social Sciences, the Xavier Institute of Social Services, the S.P. Jain Institute of Management and Research, and the Lal Bahadur and Shastri Academy of Administration who trains federal officers of the Indian Administrative Services. Importantly, in searching for partners, TSRDS is able to take advantage of the Tata Group's contributions to the Indian higher education system over the years. The Tata Group has used its investments in higher learning to partner with these organizations on programs to benefit the nation's welfare as well as its core business.
- The Confederation of Indian Industry with which TSRDS builds support for corporate investments in rural development while assisting like-minded corporate sector companies in initiating rural development.
- International NGOs and multilateral agencies have come forward to collaborate on several projects. The Ford Foundation co-sponsored a water management project in Jalandih. UNICEF helped finance the Bihar Education Program. Sight Saver, part of The Royal Commonwealth Society (UK) worked with TSRDS in villages to combat blindness. CARE International through its office in Bihar is working on a four-year Child Survival Project aimed at improving child health and reducing maternal mortality. Asociacion Pour Une Terre and Humaine-France sponsored integrated development projects. The LD Thaver Trust of Japan funded water management projects to assist TSRDS in reclaiming large tracts of wasteland for agriculture.

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CASE STUDY 2:
PHINMA GROUP:
Community Development
as a Management Function



Manila PHILIPPINES

Davao

PHINMA GROUP: COMMUNITY DEVELOPMENT AS A MANAGEMENT FUNCTION

PHINMA - Philippine Investment Management Consultants (PHINMA) began as a small consulting company operating out of a single room in Manila in November 1956. It is unique in that it was one of the first companies in The Philippines to be owned and operated principally by Philippine nationals. IFC has two investments with the PHINMA Group: IFC invested in Bacnotan Cement in 1993 and in United Pulp and Paper Company (UPPC) in 1999. In 1957, PHINMA established Bacnotan Cement, now Union Cement, as its first manufacturing company. The firm's growth over the years has reflected its strong performance. Currently, the subsidiaries of Bacnotan Consolidated Industries collectively produce over 8 million metric tons of cement annually. The PHINMA Group also occupies the dominant position in paper manufacturing and packaging, construction materials, oil exploration, trading and financial services in The Philippines. It now oversees 12 managed and affiliated companies.

Defining and Investing in the Community - The company's mission statement says, "PHINMA regards the community as one of its stakeholders or publics, together with government, stockholders, suppliers, customers and the like." PHINMA also asserts that "The original board...wanted to do something for the national good".¹ This corporate vision of community development as core business is rooted in the experience of PHINMA's Filipino founders. They started out as small businessmen who found it difficult for Filipinos to compete in a local market dominated by multi-national firms. Part of the problem was that the local market actually preferred foreign companies. The company recognized early on that its own core business was inextricably tied to national development, to which it was also committed. PHINMA defines its local community as those people living in regions where its manufacturing plants extract natural resources. Its manufacturing facilities are located in communities as far north as Bacnotan in La Union Province to the islands of Davao and Mindanao in the South. PHINMA places as much importance on the needs of the community as it does on the needs of other stakeholders.

Toward Sustainable Community Development through A Corporate Management Organization - PHINMA was established as "the pioneer in project development and corporate management in the Philippines." PHINMA views its role as that of a management pioneer and corporate citizen dedicated to national development. Since the community is one of PHINMA's stakeholders or "publics" in its core business, PHINMA sees "public relations" as "community relations". PHINMA defines community relations, in turn, as community development. The company defines its role in community development as one that helps "its...neighbors help themselves" and states that it wants to achieve this objective by helping them "acquire skills, organize themselves, improve their quality of life, and develop strong community- and society-oriented values".

Importantly, the company says that it implements community relations or "Comrel" as a management function. Tying community development directly to the management and financing of its core business is the only way of making community development sustainable, in PHINMA's eyes. Its corporate management expertise has also driven the company's efforts to continually improve Comrel management as core business. PHINMA takes the time needed to gain effective community participation through community organizing using "applicable corporate management techniques". In doing so, the company feels that it produces community development projects more efficiently than NGOs who lack financial, commercial and management experience. The evolution of Comrel is therefore the major focus of this case study.

Comrel - Comrel has helped develop income-generating projects for local communities such as building fish cages, concrete hollow blocks, rice threshers and hand tractors; raising poultry, hogs and goats; and making industrial rags and printing cement bags. Comrel has also invested in water, sanitation and power infrastructure, medical missions, day care centers, secondary schools, adult education, and sports. Comrel also measures

¹ See CD Guide "Including Communities in Company Mission Statements" Chapter 1



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- 1 Bacnotan Cement Plant
- 2 Comrel - Farm irrigation made possible by a credit program of Bacnotan Cement Plant in La Union
- 3 Comrel - Dress Making Skills Training Center
- 4 Comrel - Nursery of Tree Planting Program



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project impact. For example, a potable water project was shown to reduce diarrheal disease in a community by 45 percent. To get an idea of what Comrel is and how it works it is important to note that Comrel is still evolving and that, thus far, it has gone through three distinct phases.

Community development has evolved from an ad-hoc community relations initiative by some PHINMA plant managers who donated company funds as charitable gifts for community needs to a full-fledged specialized Comrel organization headquartered in the executive offices that acts as a proactive development practitioner. As a development agency, it mobilizes funds from the community and other sources external to the company (e.g., bi-lateral donors such as USAID) as well as from company resources. In "The PHINMA Story" the company relates its learning process. Its first Comrel phase started out as a straightforward public relations effort:

"By the nature of the operations – a company town providing the majority of the employment – the plant manager was de facto undertaking community relations although much of this would be under what is today termed public relations. There was no formal Comrel set-up to speak of: the plant manager was the public cum community relations man. Depending on the bottom line of the company's financial statement, the plant manager would grant or turn down respective requests. During good times, these requests would be granted and the plant manager would be a hero to the community. Conversely, when requests were turned down during bad times, he would be the villain. This function did not require a Comrel Officer."

It would take two additional phases of Comrel development for PHINMA to learn how to implement community development effectively. PHINMA's second Comrel phase began when the company decided to address the above-mentioned issues that arose around managing community expectations in the first phase. Bacnotan Cement, PHINMA Group's first manufacturing plant, chose to specialize in community development by creating a position, that of Community Relations (Comrel) Officer. The Comrel Officer would report to the Plant Personnel Manager. The company reports that it appointed a young man who "had little technical background" in community development but was "driven by enthusiasm" and "immediately plunged into translating his ideas of development into Comrel projects". This Comrel Officer innovated an approach to communities that would engage them more directly in overseeing community development projects while managing community expectations more effectively. The company approved and financed projects and

community members implemented them. Yet, despite what the Comrel Officer perceived to be community participation, to his dismay the projects he thought he had planned so carefully failed. PHINMA writes:

“After three months the piglets and chickens distributed had been butchered and served to guests during birthdays or during the town fiesta. The native baskets lay idle as inventory in a storehouse waiting for a non-existent market to materialize. The program, for all its good intentions, was a failure.”²

The company notes that a major shift took place in its approach to communities when it ran into economic – and political – difficulties. Given the unsatisfactory results produced by the second Comrel phase, when PHINMA Group found itself in the midst of the political and economic crisis facing the country in 1985, top executives and plant managers gathered for a two-day conference to take a deeper look at the Group’s Community Relations Program. The conference concluded that community development was not sustainable:

“In this period of economic losses and falling income, the Comrel projects, already a cost center, had in fact fostered a dependency by the community on the company. Worse, the relationship between the community and the company was becoming strained as the company moved to cut costs necessarily affecting Comrel. What had begun as a program to try to build community self-reliance had in fact become a relationship of dependency. The community perceived the company to be a provider with an inexhaustible supply of goods and free services.”³

This policy-setting exercise in 1985 entailed the redesign of the Comrel program leading to Comrel’s third and current implementation phase. PHINMA Group decided to appoint a Comrel director, based in its executive offices, who would have access to all company heads. It also created a decentralized management structure with separate Comrel units headed by Comrel Officers in each of PHINMA’s ten manufacturing plants. Together with the Comrel Director in Manila⁴, these units, headed by Comrel coordinators, make up the Comrel Group. Comrel units are administratively under the control of the plant manager but are under the technical supervision the Comrel Group Office in Manila. Plant managers and Comrel Officers decide the level of financing for their individual Comrel unit based upon the plant’s profitability. The Comrel Group Director is responsible

² The PHINMA Story

³ Ibid.

⁴ The position of Comrel Director has not been filled since September 1999 and executive management in the parent company carries out Comrel coordination.



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5 The Roman Santos Building in old downtown Manila, where PHINMA began as a one-room operation in 1956.

Comrel’s KEY SUCCESS FACTORS:

- 1 A Clear Direction – This is set within the Comrel framework and by PHINMA’s vision and mission. This direction is further defined by the individual company’s Comrel policy.
- 2 Utilization of Community Baseline Data for Local Comrel Master Development Plan – This is developed with the community and within the individual company Comrel project framework. For instance in the DUCC plant needs are identified during community meetings; residents themselves suggest ways to answer these needs; and Comrel assists residents approach appropriate government and private agencies for funds or training for project implementation.
- 3 Top Management Commitment and Support – PHINMA top management demonstrates its commitment to Comrel by treating it as a basic business function and giving it the same degree of support as all other line functions at the plant-level.
- 4 Adaptability to NGO Network through Capacity-Building – PHINMA invests in training to build its internal Comrel capacity to work with communities and the organizations that represent them. PHINMA also strengthens community capacity to develop effective action plans.
- 5 Feedback and Control Mechanisms through Regular Budget Reviews and Management Meetings – PHINMA reviews its Comrel program through semi-annual budget review conferences and monthly Comrel management committee meetings.
- 6 Planning and Availability of Managerial, Technical, Logistical, Financial and Administrative Support to Comrel – Comrel is part of the operation of each PHINMA plant and providing resources to is integral to the company’s the general budgeting process. Comrel activities are also closely tied to company operations.

for seeing to it that individual Comrel units maximize the use of company resources for community development. Besides administrative changes, Comrel has also changed programmatically in that it has developed clear guidelines and criteria for its program and investments.⁵ It has also identified key Comrel Group success factors (see box at right) that are disseminated throughout the PHINMA Group and require community participation in the planning and financing as well as the implementation of community development.

Despite the recent macroeconomic crisis in Southeast Asia, which also affected companies in The Philippines like PHINMA,⁶ the company has continued its commitment to community development. Company executives at the plant level have taken over Comrel responsibilities. The company's past response to economic downturns has been particularly creative in finding ways to continue to manage its Comrel program. The company currently plans to scale down Comrel to some extent rather than to phase it out entirely. Comrel is now integrated into the functions of management and staff and less specialized.⁷ The cyclical nature of program expansion and contraction is due to the requirement that Comrel be tied to plant profitability in order to be sustainable.

To provide supplemental income for Comrel and stabilize its revenues when company revenues decrease, PHINMA set up the Ernesto O. Escaler Community Development Foundation. The foundation receives annual contributions from the operating companies on the basis of a percentage of the profits and invests them in fixed income securities. A bank account with donations to the foundation plus the interest income earned from these investments is used to supply grants to Comrel projects on a competitive basis.⁸ With the financial support of this foundation, Comrel projects now have greater funding stability.

IMPLEMENTING COMMUNITY DEVELOPMENT: COMREL LESSONS

In its fullest implementation phase where Comrel Officers and other specialists are based in each subsidiary, PHINMA tries to build upon key lessons learned in its earlier stages before undertaking community development. The major lessons companies can distill from these guidelines apply to how PHINMA:

- (a) Manages its relationship and the expectations of two key stakeholders in community development: the community and the employees of the company
- (b) Finances community development through Comrel⁹ and
- (c) Finds mechanisms for making Comrel sustainable even during macroeconomic downturns by: (i) managing labor relations and building employee support for community development and (ii) incorporating Comrel within the parent company's executive management while making the program cost-effective.

Managing Labor Relations, Community Expectations and Financing - PHINMA cautions that a company's approach to communities in seeking their participation should be informed by knowledge of community dynamics prior to embarking upon projects. Companies should, above all, "tread softly". The longest-serving Comrel Director, Rene Lawenko, remembers:

"In any barangay or barrio, there will always be one or two women who will stand out. They will coordinate. They will organize... After a while...(one could)...easily pinpoint who the powerful women were."¹⁰

5 See CD Guide "Considerations for Company-Managed Programs in Options on Program Structure" (Chap. 6).

6 The East Asian economic crisis has caused a recession in the construction industry and dampened demand for the products supplied by the company.

7 PHINMA has for the time being scaled down its Comrel program by having plant managers take over the Comrel management function that had been performed by Comrel Officers at the plant-level. However, PHINMA has also assigned Comrel tasks to the employees of these plants. Whereas other companies in The Philippines have had to reduce their workforce, PHINMA companies have instead decided to hold on to their employees by re-deploying them to Comrel. PHINMA Group plants will not need to re-train these workers or have to recruit new workers who are difficult to find. The community, the employees and the company benefit from this strategy to make Comrel sustainable.

8 The heads of plants (i.e., companies) submit Comrel project proposals to the foundation.

9 See also CD Guide "Funding Mechanisms", pp. 49-50 in Options on Program Structure. Chapter 6

10 Ibid.

Other lessons include how to avoid conflict with corrupt politicians and members of the military. These involve ensuring that the company uses transparent procedures in selecting projects with communities, especially since financial criteria require that they co-finance projects. Since community co-sponsorship, organization and oversight shifts part of the responsibility for projects to communities, the company faces fewer political obstacles.

In consultations with staff, PHINMA found that some did not always support parent company management in undertaking community development. This was particularly true during macroeconomic crises. During one such crisis in 1985 when the Peso was devalued, PHINMA ensured that its employees were given a pay raise despite the devaluation, sending a clear message that its social responsibility agenda included good labor relations. Second, PHINMA invited labor leaders to its 1985 conference on Comrel's reorganization. The company gained insight into the concerns of employees, their labor leaders and their management about Comrel and Comrel performance. Since then, the company has formally trained its staff, in particular the management of its companies, in Comrel on a regular basis. PHINMA's recent strategy to retain plant personnel during economic hard times and engage them in Comrel is the direct result of the company's experience in 1985.

Along with financial criteria, economic, social and organizational capacity assessments, tied to measurable outputs and carried out prior to project implementation, are essential in determining what the community – and the company – can realistically expect projects to produce.

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6 United Pulp and Paper Company warehouse
 7 Comrel - Day Care Center
 8 Comrel - Automotive Skills Training Center





CASE STUDY 3:

ESCONDIDA: Creating Foundations for Sustainable Mining

CHILE

Santiago

ESCONDIDA: CREATING FOUNDATIONS FOR SUSTAINABLE MINING

Minera Escondida Ltda (Escondida) - The Escondida Mining Company (Escondida) in Chile is one of the world's largest copper producers and one of the most valuable of IFC's equity holdings. IFC first invested in the mining company in 1987 and recently made an additional investment to expand mining operations. Escondida produced 21.6 percent of Chile's copper in 1999 (958,518 metric tons).

Defining and Investing in the Community - Escondida recognizes that mining carries risks borne by both communities and companies, but that historically communities have carried a disproportionate share of these risks, particularly after mine closure. Therefore, the company approaches community development by focusing on how to mitigate the socio-economic consequences associated with mine closure. It defines its area of influence as those regions that benefit economically while the mine is in operation, and targets local residents "with limited resources." The company benefits the inhabitants of these regions by providing employment in mining and in a large number of mining-related activities. The company also procures goods and services locally and nationally. These goods and services generate indirect employment and increase local capacity, plus they generate tax revenues for the government.

Escondida is different from those mining projects that must focus, first and foremost, on directly impacted neighboring communities. The mine is located in a semi-arid region, with no permanent settlement within a radius of 120 kilometers. The staff lives mainly in and around the city of Antofagasta, 160 kilometers away. As a result, Escondida's "community" is actually quite distant from its business activities. Though the region has relatively less poverty and generally better employment opportunities than Chile's other regions, it exhibits a strong dependence on mining. The company tries to complement services the government cannot finance in the region, particularly those in education and health.

Nationally, the company constitutes 2.1 percent of Chile's GDP and has paid accumulated taxes of about US\$1.3 billion. Hence, Escondida's area of influence is national, yet from its mine closure perspective the local community includes Antofagasta and other communities in the region. Indeed, the company links core business to community development by establishing local preferences in hiring and procurement. It employs about 10 percent of the population of this region, when direct and indirect employment are considered.

Toward Sustainable Community Development through Foundations - Originally Escondida began its community development activities at the end of 1989 under the direction of the Natural Resources and Environment Department created that year. The manager of this department began working with the community to support events and activities the community identified as needs. This particular manager helped guide the Natural Resources and Environment Department through its evolution into the Corporate Affairs unit in 1995. When Escondida decided to form the Fundacion Minera Escondida (FME) in 1996, the head of Corporate Affairs became the head of the Foundation.

The Foundation's vision is best expressed by its motto: "sustainable mining through health, education and quality of life." Its mine closure concerns led Escondida to begin formulating a model for sustainable mining, defined as operations that contribute to human capital in ways that will reap benefits long after mining operations have ceased. Escondida wanted to invest in such a way that the community could realize gains in terms of its own expectations and aspirations and find specific answers concerning the effects of mine closure.

The company decided that achievement of its objectives required the establishment of a specialized organization to focus solely on community development. This would be an organization: (a) the community could learn to trust over time as it separated itself from the company and engaged in indirect and non-paternalistic philanthropy; (b) the company could have a degree of control over based upon its ability to nominate six of the eleven board members; and (c) that could become sustainable and continue operations after mine closure. With these objectives in mind, the company set up FME in 1996. To complement



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1-2 Examples of FME's work in education



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the work of FME and to focus specifically on building the capacity of the workforce, Escondida also founded the Centro Tecnico Escondida (CTE) in 1999.

The bulk of Escondida's community development investment is now funneled through these two foundations, though some smaller projects are still carried out directly by the company.¹ This case study seeks to share the experiences of one company as it goes through the process of establishing foundations to carry out its community development activities.

Escondida's Foundations - Due to the fact that the mine is located in a sparsely populated area, the activities of FME and CTE have been centered in Antofagasta. Though the city and other communities in the region have enjoyed some economic advantages relative to the rest of Chile as a result of mining activities, issues of unemployment and poverty persist. The foundations concentrate on identifying gaps in government services and on complementing existing government services mainly in education, health and technical training.

FME-sponsored development programs and projects center upon broad-based education, health and socio-economic development (cultural heritage program with native communities, labor insertion/occupational development training for young adults and microcredit programs). CTE is a much more specialized foundation that is, in essence, a technical training center that develops occupational skills required by local mining and heavy industry. Though different in scope, FME and CTE do seek to complement each other's investments in human capital to further increase the company's multiplier effect on the local economy.

FME relies exclusively on the Company for resources though it is in the process of trying to become self-sufficient. CTE also remains dependent on the Company, though it is hoped that funding can be generated from fees it will charge for its training services. As of March 2000, control of the budget was in the hands of the Directors of the foundations. Each foundation has a board composed of both community and company representatives. The foundations are legally and administratively independent from the company.

¹ Escondida's Communications and External Affairs Department invests in community development projects that tend to be more closely related to core business objectives, smaller in scope and of a short-term nature.

ESCONDIDA'S COMMUNITY DEVELOPMENT PROGRAMS

FME and CTE programs are focused on human capital development through education and training. The ultimate goal is to empower individuals within communities in the belief that this is the most sustainable sort of contribution. FME and CTE work with community organizations on training individuals to build organizations, but do not get directly involved in community-based group formation, as is the case with some company-sponsored NGOs. Their core staff have training and experience in business management and are relying on this background to identify potential partners with the skills to work with local communities.

FME PROGRAMS

FME-run programs center on three focus areas: Education, Health and Social Development. Below are details on the specific programs developed by the Foundation under these three focus areas.

Education - FME sponsors programs in mathematics and entrepreneurial/occupational training at several schools in Antofagasta. FME has also been instrumental in getting several regional schools from smaller communities online by supplying hardware and software sufficient to link to the Ministry of Education's intranet. In a joint venture with the Canadian and Chilean governments and local universities, FME is supporting the construction and operation of a technical training center in Copiapó focused on low income residents.

Health - FME has chosen to target its health funding at cancer research, treatment and prevention, and emergency dental care. To achieve its objectives, FME underwrites research projects, subsidizes the cost of medications and equips both cancer and dental care facilities. FME has extended its coverage beyond the region and also has obtained cooperation agreements with municipalities in Northern Chile and the Chilean Association of Municipalities.

Community and Social Development - In this area, FME has devoted much of its resources to various programs designed to benefit the Atacamenians, a regional indigenous group. For example, it trains tour guides, gives college scholarships, has published a textbook on Atacamenian history and administers a development fund for the Atacamenian community. In order to develop and implement these programs, FME has established a close relationship with indigenous associations, the Municipality of San Pedro de



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3-5 FME's cancer treatment and hospice facilities.



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Atacama and the Corporación Nacional de Desarrollo Indígena (CONADI). In addition FME makes funds available for local NGO capacity-building programs and works in partnership with another foundation to provide micro-credit services to part-time workers and small entrepreneurs, over half of which are women.

CTE PROGRAMS

CTE offers multi-year apprenticeships in areas of key industrial need, including the mechanical, electrical and millwright trades. This program is being offered under a technology transfer agreement with the British Columbia Institute of Technology (BCIT). CTE has also teamed with Chilean universities to offer training programs such as one on instrumentation. Through the apprenticeship program CTE trains hundreds of workers from the maintenance departments of the Escondida mine and mill. CTE offers its training facilities and programs to other mining companies in the region on a cost-sharing basis.

ESCONDIDA'S COMMUNICATIONS AND EXTERNAL AFFAIRS DEPARTMENT PROGRAMS

Escondida also implements short-term community development projects through its Communications and External Affairs Department. It ties these activities more closely to company business objectives and:

- Supports employees who voluntarily initiate activities (e.g., organized youth sports to prevent drug abuse) to build employee ownership of community development.
- Identifies special projects with other at-risk communities. It assists the fishing community in Coloso port with donations for community events and transportation for schoolchildren to local schools.
- Sponsors local universities in developing projects, seminars and other initiatives.
- Sponsors different charity, educational and sports organizations and programs.

Managing Expectations and Risks - CTE's main challenge is to discover a sustainable source of funding for its activities. The company expects to see CTE become fully self-sustaining over the medium term. CTE wants to establish a name for itself as a vocational training institute and to then charge competitive prices for its services to industry in the region.

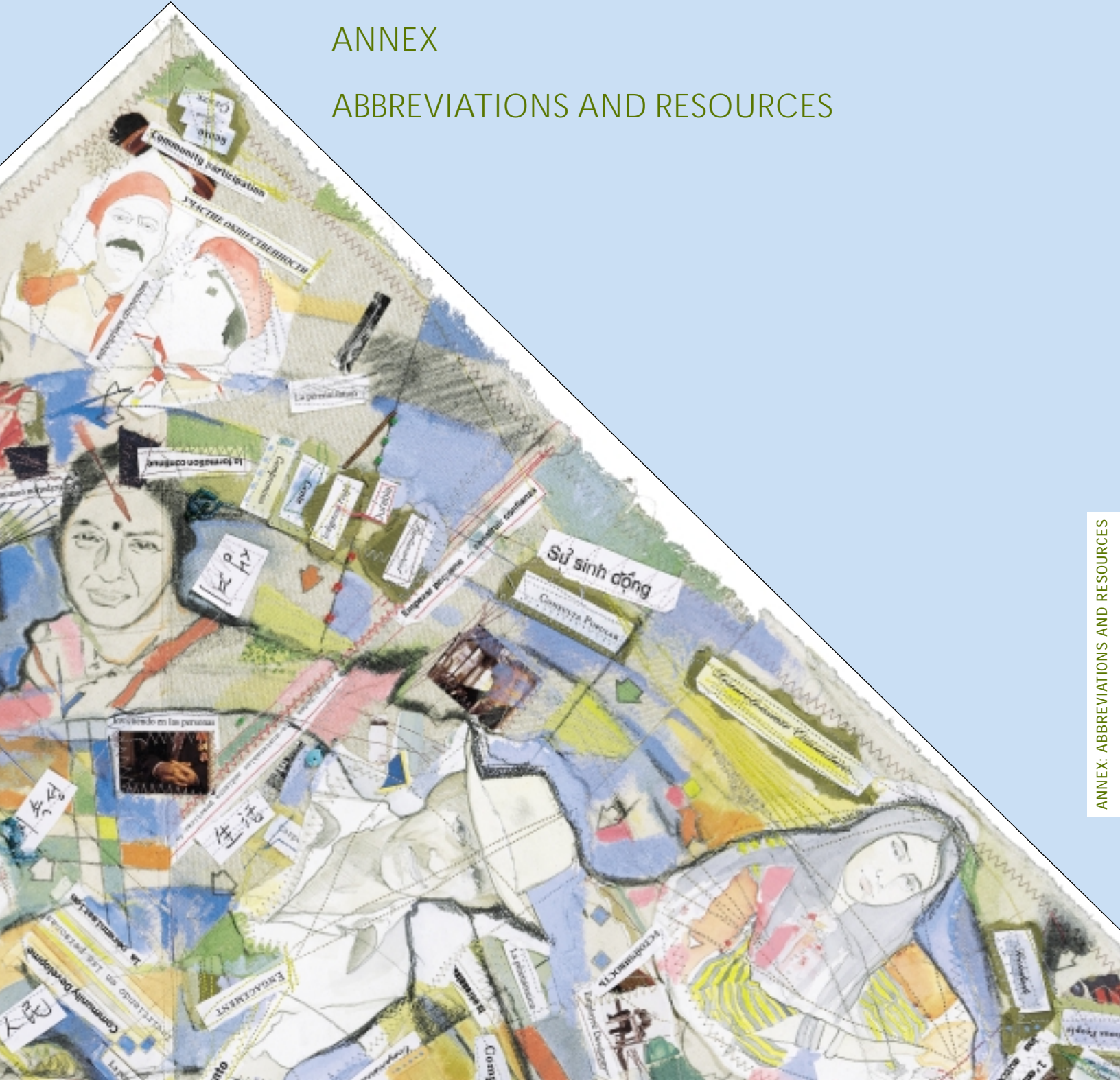
FME's main challenge is to build credibility for Escondida as a community citizen by expanding the concept of sustainable mining, which FME defines as the human capital that survives to contribute to community development beyond the life of the mine. This challenge is of course made more difficult because social needs — and community demands — exceed the Foundation's budgetary capacity. However, by involving the community through advisory councils on social development, planned education and health programs, and projects the Foundation is able to prioritize community needs and concerns keep its programs within budget constraints.

FME will continue to have to review and balance questions and concerns over "how close" or "how far" from Escondida it should operate. While FME sees one of its roles as maintaining Escondida's name recognition and credibility, in order to minimize the risk of conflict with the community it must also maintain independence. The risk in emphasizing the independence of FME is that its activities will move too far afield from the interests of the company — a risk that is addressed by the company's power to nominate the Foundation's Director and six of eleven Board members.

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ANNEX

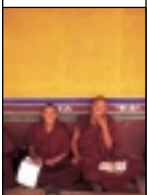
ABBREVIATIONS AND RESOURCES





ABBREVIATIONS

CBO	Community-based Organization
DFID	Department for International Development (UK)
EIA	Environmental Impact Assessment
EU	European Union
FAO	Food and Agricultural Organization
ICFO	International Council of Fundraising Organizations
ICNL	International Center for Not-for-Profit Law
IFC	International Finance Corporation
NCIB	National Charities Information Bureau
NGO	Non-governmental organization
PWBLF	Prince of Wales Business Leaders Forum
SIA	Social Impact Assessment
SIDA	Swedish International Development Agency
UNDP	United Nations Development Programme
USAID	United States Agency for International Development



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<http://www.info.usaid.gov/pubs/isp> – USAID site on intersectoral partnerships.

<http://www.iaf.gov/si-index.htm> –Examples from IAF's partnership efforts.

INTERNATIONAL COUNCIL FOR LOCAL ENVIRONMENTAL INITIATIVES

(www.iclei.org) – clearinghouse on local sustainable development initiatives and implementation, at a local level, of the Rio Summit's Agenda 21 program.

Program Structure:

National Charities Information Bureau (NCIB) (<http://www.give.org/index.cfm>) – Includes resources, rankings of U.S. charities and a list of NCIB's Standards in Philanthropy.

International Center for Not-for-Profit Law (www.icnl.org) – Includes publications, laws and reports from various countries and contact information for the organization. The organization works primarily on creating legal enabling environments for non-profit organizations.

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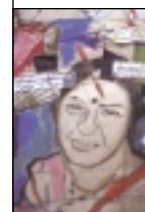
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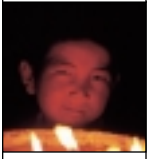
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Glen Williams and Sunanda Ray, Work Against Aids: Workplace-based AIDS initiatives in Zimbabwe London: ActionAid, 1993.

Web Resources:

Business for Social Responsibility-<http://www.bsr.org/resourcecenter>

Boston College Center for Corporate Community Involvement
http://www.bc.edu/bc_org/avp/csom/cccr

Business in the Community - <http://www.bitc.org.uk>

Civicus, www.civicus.org – NGO federation with links to Business Partnerships for Development program at the World Bank

The Conference Board — <http://www.conference-board.org> – includes extensive publications in their section on Global Corporate Citizenship.

Japan Federation of Economic Organizations, Keidanren , <http://www.keidanren.or.jp> – includes a link to the Council for Better Corporate Citizenship.

Prince of Wales Business Leaders Forum - www.pwblf.org

Partnerships for Poverty Reduction, <http://www1.worldbank.org/ppr> – a collaborative effort by the World Bank, UNDP and Inter-American Foundation.

World Resources Institute (WRI), Management Institute for Environment and Business,
<http://www.wri.org/meb>



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