

# Sustainability as a Business Strategy

IFC regards sustainable development as a process rather than a single event, phase, or goal. Sustainable development entails constant adaptation to changing circumstances—both risks and opportunities—in communities, institutions, markets, and, of course, the global environment. Specifically, it requires a perpetual and sophisticated recalibration of how well we, as an organization, produce an internal “good”—profitability—while we aim toward the creation of more and better public “goods” such as healthy ecosystems, thriving societies, stable nations, and productive economies.



C. CARNEMARK

Our mandate is to encourage this dynamism within the context of five strategic priorities:

- Investing in low-income, high-risk countries or regions (“frontier markets”) where the private sector faces a challenging investment climate and paying special attention to the needs of small businesses
- Developing domestic financial markets through investments, capacity building for institutions, and innovative financial products
- Building long-term partnerships with clients, helping them emerge as regional and global market players, and promoting sustainable business practices
- Promoting private sector investment in infrastructure, health, and education, especially by addressing investment constraints, encouraging public-private sector partnership and providing innovative financing and advice, and developing projects at the regional, state, and city levels
- Providing leadership, both for firms and for financial institutions, on environmental, social, and corporate governance issues by helping improve their performance.

As this report details, in the past year IFC witnessed an unprecedented amount of activity along three dimensions: improving our own performance and capacity, collaborating with our clients and partners on innovative projects and policy initiatives, and helping set reform agendas and catalyze progress among firms and markets in general.

## Catalyzing Broader Progress on Sustainable Development

An increasing number of companies, financial institutions, and investors are looking to IFC for leadership on sustainability. They look to IFC to develop and implement new metrics on sustainability, enhance reporting, and set standards for project finance in emerging markets. The challenge ahead is for IFC to continue innovating in ways that help the private sector realize the many opportunities that sustainability offers their business.

As a multilateral financial institution serving the private sector, IFC has changed the way it does business in order to meet client expectations. While our traditional role has been to enforce minimum standards and ensure that the private sector activity of our clients does not lead to social and environmental harm, today we note that our clients are aware of, and committed to, the broader value of corporate responsibility. We will continue to monitor our clients’ performance while recognizing that both the playing field and the rules of the game are rapidly evolving.

Among the vehicles fostering this evolution is the UN Global Compact, under which thousands of companies worldwide have come together in support of basic principles on human rights, labor, the environment, and anticorruption (see *IFC and The Global Compact*, p. 56). We also recognize that companies around the world are now reporting voluntarily on nonfinancial aspects of their business, with many following guidelines established by the Global Reporting Initiative. IFC’s experience and guidance on these issues may become increasingly influential.

## Toward Better Sustainability Performance

We are devoting a great deal of time and energy to process improvements so that we can operate more effectively in this changing global business landscape. In this vein, IFC is undertaking a comprehensive overhaul of the environmental and social safeguard policies and guidelines that have guided our work on sustainability since 1998 and have constituted the minimum standards that IFC clients must satisfy to access our funding.

IFC’s new approach to sustainability will be to establish performance standards that build on our minimum expectations by providing clients with a solid framework to manage business risks and promote consistent improvements in their sustainability performance. We see project appraisal as an entry point from which a long partnership can develop—and we hope to use this mutual engagement as an opportunity to encourage a change in approach to social and environmental stewardship. The process of drafting our new policy and performance standards is ongoing at publication of this report as we consult widely with stakeholders and experts.



C. CARNEMARK