Tool 1: Template for Preparing a Community Investment Strategy

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

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

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

Tool 2: Template for Preparing a Communications Plan

The following template provides a suggested structure for the preparation of a communications plan to support a company's community investment strategy. The scope and level of detail of the communications plan may be scaled to fit the needs and stage of the project (or company operations).

Strategic communications is the use of internal and external outreach tools to achieve measurable outcomes in support of business objectives. A good communications strategy:

- Identifies key internal and external audiences

- Connects the company to its stakeholders and customers

- Defines and delivers specific messages that will resonate with target audiences

- Is designed to reach measurable results

- Follows a long-term plan of action

Local Context Challenges/Constraints	• Key challenges of the local, national, and international contexts to which the communications strategy should respond (e.g., local opinions, historical legacies, or global campaigns against the industry)
Key Audiences and their Informational Needs	• Key stakeholder groups that have an interest in and/or need to be informed/influenced by the communication activities • Stakeholder analysis: a) internal and external audiences; b) primary, secondary, and influential/high value (e.g., political decision makers and local opinion leaders) target groups • Main informational needs of the target audiences (aligned with the CI program cycle)
Goals and Objectives of Communications Plan	• Overall goal of the communications plan in light of context, challenges, opportunities, and audience needs (linked with the company's overall business objectives) • External (e.g., strengthen social license to operate) and internal (e.g., create buy-in) objectives of the communications strategy
Key Messages	• Key messages and tone of the key messages (e.g., factual and visual information that resonates with target audiences)
External and Internal Communications Channels	• Existing internal and external communication channels • Channels that allow two-way communication • Most suitable channels (by stakeholder group) to communicate the key messages (e.g., rural radio, influential papers in the area, opinion makers/commentators)
Key Activities and Timetable	• Dates/events for planned communication activities • Dates/events that communication activities need to be coordinated with • Activities to support long-term communications strategy (e.g., maintaining and monitoring a Web site, maintaining good press relations) • Risks/constraints that could affect the delivery of the communication activities (e.g., authorizations and scheduling requirements, endorsements from other parties) and mitigation measures

Crisis Response	• Crisis communications team (e.g., senior executive, legal counsel, project manager, communications person) • Designated company spokespersons in a crisis situation • Media contacts for disseminating responses without delay • Communication protocols (e.g., emergency communications "tree") • Written scripts for questions and answers about the company's programs along with other communication materials
Resources and Staffing	• Staffing resources to support communications function • Budget/resources to carry out planned communication activities (e.g., preparation and production of communication materials, translation services, advertising costs, delivery of events) • Opportunities to attract external partners/sponsors around planned communication activities
Key Spokespersons/ External Partners	• Key spokespersons and designated backups • Main media contacts • Implementing partners/local organizations whose research, on-the-ground networks, and unique communications vehicles can be leveraged

Success Measurement	• Key indicators to monitor progress vis-à-vis the expected results:
	  – Public perceptions (positive/negative)
	  – Number of third-party endorsements
	  – Level of community buy-in for CI (increasing/decreasing)
	  – Nature of civil society/NGO feedback
	  – Tone of media coverage (positive/negative)
	  – Level of political support (increasing/decreasing)
	  – Operational statistics (e.g., reduced number of production interruptions due to local unrest)
	• Measures to ensure that performance information is used to adjust the communications plan (messages, tactics, tools, and resources) as needed

Tool 3: Institutional Mapping Questionnaire

The following guidance is part of the *RuralInvest Toolkit* developed by the Food and Agriculture Organization (FAO) of the United Nations for preparing successful rural development projects—in terms of both income generation and social investment. The toolkit comprises training courses, manuals, and custom-developed software which are applicable for any agency, project, organization, or private investor managing funds for small and medium-scale agricultural and rural investments.*

The institutional mapping activities given below can be used when undertaking local context analysis for the purpose of identifying community groups, development institutions, local organizations and/or other potential partners. (See Chapter 3).

Mapping Interest Groups

These groups may include: work groups, youth clubs, cooperatives, agricultural worker associations, women's organizations, parents' associations, religious organizations, saving and loan associations, irrigation boards, local development committees, etc. The objective of the institutional mapping is to discover roles and activities of these various groups.

Products that can be obtained:

- Brief information on interest groups existing in the communities

- A map or sketch showing the spatial distribution of the various interest groups that operate in the communities

- A register of these various groups for the purpose of future planning

Useful questions:

- What are the interest or activity groups that operate in the community?

- What other organizations are there in the zone? What are their relations with the community?

- How many members do they have?

- What are their aims?

- What activities do they undertake?

- How do they relate to other local stakeholders and/or the communities?

- What are the relations like between these organizations and the community?

- Are there any conflicts between the community and interest groups in the zone? If there are, what is the cause? How can these conflicts be overcome?

* www.fao.org/tc/tci/ourrole/ruralinvest/it/

Sample Format: Interest Groups in the Community

Organization and date established	Activities carried out	Role or function in local development	Number of members within the area

Mapping Development Institutions

Development institutions include public development institutions, private entities, and NGOs. The main objective of the institutional mapping is to identify the activities these organizations undertake (or have undertaken), the policy and development approach adopted by them and, on the basis of this information, to identify their potential contribution to the objectives and targets of the project or program under consideration.

Products that can be obtained:

- Summary of the development institutions that work in the zone, by sector

- A table or drawing to show what development institutions do, and the type of relationship they maintain with the community

- A record of development institutions that work in the zone, for the purpose of defining their role/function in local development

Useful questions:

- What public (state) institutions, local governments, private firms, and NGOs have a significant presence in the communities?

- In which sectors do each of these institutions operate and what concrete activities have they carried out or are they currently carrying out?

- What do the officials of each of these institutions think of the organizations participating in decision making in the projects and programs that they execute?

- How do members of the community rate the work of these institutions?

Sample Format: Development Institutions

Institution	What activities does it carry out?	Who does it work with?	Level of participation in decision making

Mapping Management Capacity of Local Organizations

Where needed, institutional mapping may also explore questions around expertise and capacity of local organizations that operate in the area. The objective of this exercise is to find out whether local organizations require strengthening and, if so, in what areas.

Products that can be obtained:

- Identification of the areas of training and technical assistance required by different entities and local institutions

- Summary of the social capital and/or the management capacity of local communities and organizations

Useful questions:

- What local organizations are there? Do they have legal status? Do they have different functions?

- If there are several local organizations, are there tensions or conflicts among them?

- Do members of the community or organization(s) help finance the organization's activities?

- How frequently do their boards of directors meet?

- Are minutes kept of assemblies and meetings?

- Are balance sheets prepared and accounting records kept?

- Are such records manual or computerized?

- Are external audits performed?

- When and at what event was the current board of directors appointed?

- How and with what mechanisms do grassroots members assess their leaders' performance?

- How often is community work done? Who participates in community work?

- What tasks are carried out collectively and free of charge?

- Do organizations and their communities have experience in managing development projects?

- How are important decisions affecting all organization members taken?

- What mechanisms do community members have to supervise the work of their leaders?

Tool 4: Social Network Analysis

Social Network Analysis (SNA) is useful for visualizing patterns of engagement between diverse local stakeholders and understanding how to use these relationships to further a company's CI objectives. Although it is enhanced by the use of special software, one can get started without SNA software. SNA involves the following three stages:

1. **Participant Survey** – A survey tool is developed by facilitators, often in collaboration with participants. The survey includes questions about the flows of information, resources and collaboration that are important to the local community.

2. **Data Analysis** – The results of the SNA survey are tabulated in Excel or input into a network analysis software application (such as InFlow or UCINet).* These free or inexpensive applications have built-in algorithms that generate network maps, positioning organizations or individuals according to their connections with others.

3. **Participatory Feedback** – Stakeholder maps and metrics are used to facilitate discussions between the company and community members. The questions generated by analyzing the SNA results can help to draw out extremely valuable observations about key actors, alternative ways to optimize the "development supply chains," and fresh insights into power brokers that hold significant influence over the working environment.

SNA maps and metrics are particularly effective when used in combination with stakeholder dialogue, and can help project planners to identify key connectors, community resource hubs, gatekeepers and brokers, who are described below.

Example of a Social Network Analysis (SNA) map
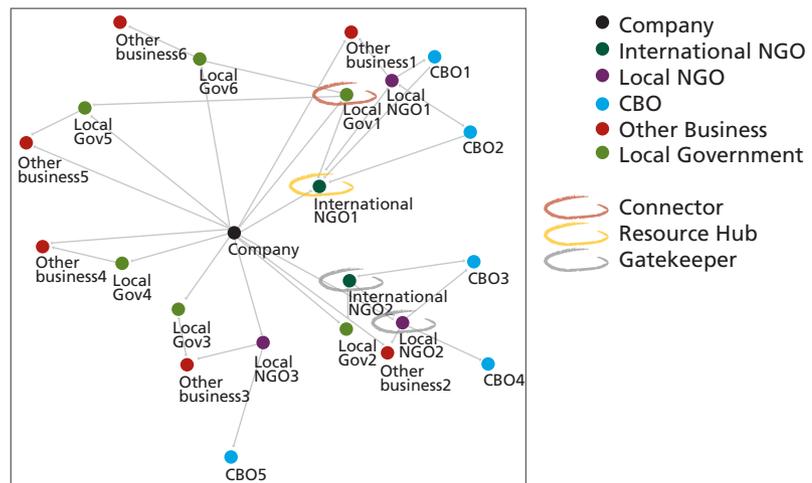
* http://www.orgnet.com/inflow3.html (InFlow) or http://www.analytictech.com/ucinet/ (UCINET)

Connectors are actors in a community who know large numbers of people and who are in the habit of making introductions. Tap them early in the CI process to get a complete 360 perspective. But never rely on a single voice. If the CI involves an explicit networking component, then connectors are well placed to play a leading role. Build them into your outreach plan.

Resource Hubs are individuals or organizations that provide programmatic resources—funding, supplies, training, or intellectual capital—to local NGOs and frontline community-based organizations that work directly with affected individuals and communities. Community-based resources may present themselves in surprising ways, such as family-owned small businesses, local law and accounting firms, and local consultants. Many of them may be wary of external investors and corporations and initially keep a low profile.

Gatekeepers or **Brokers** are organizations and individuals that act as a bridge between different constituencies, assisting or potentially hindering information flow between sectors or regions. While connectors tend to "know everyone," brokers often know "the right people." Connectors hold an extremely important position in any new initiative and should be considered during the planning and project start-up phases. Through SNA, brokers can be identified who can help build bridges between key project constituencies, including local government, government ministries, and special interest groups.

Tool 5: Risk and Opportunity Screen

As discussed in Chapter 6, it is not uncommon for companies to face high expectations for support and long lists of development needs and priorities from local stakeholders. In such a context, exercising selectivity and strategic focus regarding which activities to support becomes particularly important.

One way to prioritize among the numerous development issues and needs raised by local stakeholders is by vetting them through the twin lenses of risk and opportunity. (For other common "screens," see the sample screening process outlined in Chapter 6). Risk and opportunity screening can be a useful decision-making tool that involves: (i) the identification of risks and opportunities associated with each community priority area/issue; and, (ii) the evaluation and ranking of each identified risk or opportunity to determine potential priority areas for CI.
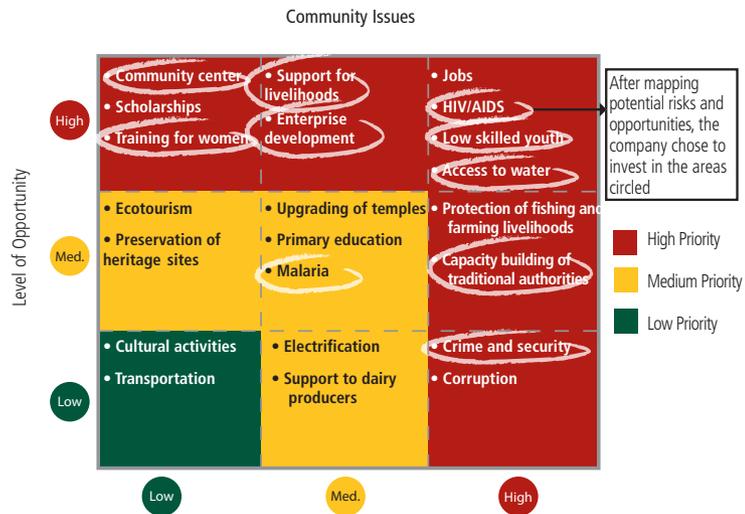
Community Issues

Identification of Risks and Opportunities

Community engagement and planning processes typically reveal a set of development issues or areas that are important to local stakeholders. Using this as a starting point, map each issue against:

- the level of risk to the company (of not addressing this issue)

- the level of opportunity presented to address this issue (i.e., achievability in terms of ease of execution and likelihood of success)

Community Issues	Nature of Risk	Nature of Opportunity	Level of Risk (High, Medium, or Low)	Level of Opportunity (High, Medium, or Low)
Prevalence of HIV/AIDS in the local area of operations	The local incidence of HIV/AIDS could constitute a risk to the company's workforce, affecting productivity, costs, and morale.	The company can partner to support the delivery of HIV/AIDS awareness, prevention, and treatment programs for employees and local communities	High	Medium
High rates of unemployment/ lack of jobs	High expectations for jobs combined with low levels of education and skills within local communities could fuel frustration and anti-company sentiment	Early phase investment in skills training and entrepreneurship programs can increase the income-earning prospects of local residents	High	High

How to Rank Risks and Opportunities

For each identified risk, the company should assign a rating of high/medium/low. For consistency of ranking, it is important to establish a common definition of what high/medium/low ratings mean. Factors to consider include:

- How great of a risk is posed to the company by this issue (whether it be in terms of project delays and disruptions, social license, or reputation)?

- Is the issue considered high priority by a majority of local stakeholders or a select minority?

- What is the probability or likelihood of a "risk event" should the need or issue not be addressed?

- Has the issue received NGO or media attention?

To rate the level of opportunity presented by each issue, assess according to potential "achievability"—that is, how easy it would be to execute through the company's CI program. Assign a rating of high/medium/low. As with the risk rating, common criteria and definitions of ratings are needed. To determine the level of achievability, consider:

- Are there potential partner organizations with sufficient expertise and implementation capacity?

- Is the issue supported by government and included in local/regional/national development plans?

- What is the estimated cost of the intervention?

- How practical and/or easy is the activity to execute (i.e., can it be done readily by the company or a third-party)?

- What is the potential for impact (i.e., ability of the intervention to result in broad-based benefits)?

	High	Medium	Low
Level of Achievability (capital)	• Easy to address through the CI program • Partner organization is available to implement • Capacity to implement is sufficient • Cost of intervention is reasonable relative to benefit • Intervention is likely to achieve a high development impact	• Can be addressed through the CI program, but may be difficult to execute • Cost of intervention is reasonable or on the slightly higher side relative to benefit • Development impact is still likely to be relatively high	• May be addressed through CI, but difficult to execute • Major costs would be required relative to benefit • The likelihood of high development impact is not certain, or is too costly to achieve, or may be influenced by other factors beyond the scope of the company to address

It is also possible that some issues on the list should not be addressed through CI (for example, areas that fall into management of or compensation for project impacts, or are best addressed by government). These issues should be flagged as such and excluded from final consideration.

As the final step, the combination of the initial risk rating plus the achievability rating will help determine whether or not the issue should be prioritized for company support through CI.

Tool 6: Examples of Tools and Methods for Organizational Capacity Assessment*

Name of the Tool/ Methodology	Description
Effective Capacity Assessment for Nonprofit Organizations (McKinsey and Company)	Known as the McKinsey Capacity Assessment Grid, this tool is designed to help nonprofit organizations assess their organizational capacity. The tool includes a description of seven elements of organizational capacity and their components. Each variable of the grid is scored on a scale of 1 to 4. **Pros and Cons:** A clearly described, comprehensive capacity assessment tool. It is user friendly and can be easily adapted for use in different types of organizations. Web site: www.emcf.org/pdf/mckinsey_capacitytool.pdf
Capacity Assessment Tool (CARE Somalia)	This is a brief questionnaire to assess the capacity of an NGO or partner organization. The assessment includes governance, management and financial practices, service delivery, organizational mission, and sustainability. **Pros and Cons:** A short, simple checklist and rating format supplemented by a rating scale. Web site: www.careinternational.org.uk/download.php?id=39
Capacity Results Framework (World Bank Institute)	The Capacity Results Framework is a tool to facilitate strategic thinking on capacity issues. The framework looks at the three levels of capacity—individual, organizational, and institutional—and identifies current and desired levels of capacity. The assessment findings are used to define interventions to address gaps and to define indicators that can be jointly monitored with stakeholders. **Pros and Cons:** This briefing paper provides a useful framework for thinking about capacity development. It does not, however, provide user guidance or details on how to adapt the framework to different contexts. Web site: http://siteresources.worldbank.org/INTCDRC/Resources/CapacityBriefNo14.pdf
Capacity Assessment Framework (UNDP)	This is a set of tools that include a Capacity Assessment Practice Note and a User's Guide. UNDP's Capacity Assessment Framework provides a comprehensive view of the issues that could be addressed in capacity assessment. The assessment process allows the user to develop a comprehensive work plan that specifies future capacities to be developed, strategies and interventions to be used, specific targets and indicators, and cost estimates. **Pros and Cons:** The framework is interactive and very thorough. While the guidance is flexible enough to be used in different contexts, the use of these materials is likely to require time and adaptation to the specific context—and some advance work and planning. Web site: www.undp.org/capacity/
Participatory Organizational Evaluation Tool (UNDP)	This is an organizational capacity assessment tool to assess capacity and levels of consensus in organizations against seven areas (human resource management, financial resource management, equitable participation, sustainability of program benefits, partnerships, learning, and strategic management). The methodology involves bringing participants together in cross-functional, cross-hierarchical groups for open exchange to identify divergent viewpoints to foster growth; to create consensus around future organizational capacity development activities; and to select, implement, and track organizational change and development strategies. **Pros and Cons:** This self-assessment/group discussion approach is highly participatory. At the same time, it is relatively time consuming and the potential flaws and risks of self-assessment need to be managed. Web site: www.comminit.com/pdf/POET_UsersManual.pdf
Organizational Capacity Self-Assessment (Academy for Educational Development)	This tool guides an organization through a capacity self-assessment based on a suggested ranking scale, and covers different stages of organizational functioning and management. As the end result, the tool provides an organization with capacity development priorities and a training plan. **Pros and Cons:** The tool is simple to use, can be adapted to different contexts, and can be completed relatively quickly. By design, however, this tool requires a knowledge facilitator to lead the discussion and assessment process. Flaws and risks related to the process of self-assessment need to be managed. Web site: www.aed-ccsg.org/resources/tools/IDAssess.doc

* Sources for this table:
 A Brief Review of 20 Tools to Assess Capacity, UNDP, 2005, www.unpei.org/PDF/institutioncapacity/Brief-Review-20-Tools-to-Assess.pdf
Capacity Assessment Tools, Methodologies, Resources, Capacity For Disaster Reduction Initiative, www.unisdr.org/cadri/documents/
CAPACITY_ASSESSMENT_TOOLS_FINAL.pdf

Tool 7: McKinsey Capacity Assessment Tool

The Sample Organizational Capacity Assessment below is an extract from the McKinsey Capacity Assessment Tool.* As presented below, the template can be used by a company to assess the capacity of potential partners and/or as an input when developing a company's capacity building plan (see Chapter 5 for more details). The company can also develop its own assessment based on the full description of the tool and the related capacity framework.

Capacity Components	Ranking *(Interpret the text loosely; keep in mind that you are trying to score the organization on a continuum of "1" to "4.")*			
	Clear need for increased capacity	**Basic level of capacity in place**	**Moderate level of capacity in place**	**High level of capacity in place**
Overall strategy	• Strategy is either nonexistent, unclear, or incoherent (largely set of scattered initiatives) • Strategy has no influence over day-to-day behavior	• Strategy exists, but is either not clearly linked to mission, vision, and overarching goals, lacks coherence, or is not easily actionable • Strategy is not broadly known and has limited influence over day-to-day behavior	• Coherent strategy has been developed and is linked to mission and vision, but is not fully ready to be acted upon • Strategy is mostly known and day-to-day behavior is partly driven by it	• Organization has clear, coherent medium- to long-term strategy that is both actionable and linked to overall mission, vision, and overarching goals • Strategy is broadly known and consistently helps drive day-to-day behavior at all levels of organization
Goals/ performance targets	• Targets are nonexistent or few • Targets are vague, or confusing, or either too easy or impossible to achieve • Targets are not clearly linked to aspirations and strategy, and may change from year to year • Targets largely unknown or ignored by staff	• Realistic targets exist in some key areas • Targets are mostly aligned with aspirations and strategy • Targets may lack aggressiveness, or be short term, lack milestones, be mostly focused on "inputs," or are often renegotiated • Staff may or may not know and adopt targets	• Quantified, aggressive targets in most areas • Targets linked to aspirations and strategy and mainly focused on "outputs/outcomes" with some "inputs" • Typically multiyear targets, though may lack milestones • Targets are known and adopted by most staff	• Limited set of quantified, genuinely demanding performance targets in all areas • Targets are tightly linked to aspirations and strategy, output/outcome-focused, have annual milestones, and are long term • Staff consistently adopts targets and works diligently to achieve them
Funding model	• Organization highly dependent on a few funders, largely of same type (e.g., government or foundations)	• Organization has access to multiple types of funding (e.g., government, foundations, corporations) with only a few funders in each type, or has many funders within only one or two types of funders	• Solid base of funders in most types of funding sources • Organization has developed some sustainable revenue-generating activity	• Diversified funding across multiple source types • Organization insulated from potential market instabilities (e.g., fully developed endowment) and/or has developed sustainable revenue-generating activities
Performance measurement	• Very limited measurement and tracking of performance	• Performance partially measured and progress partially tracked	• Performance measured and progress tracked in multiple ways, several times a year	• Well-developed and integrated system (e.g., balanced scorecard) used for measuring organization's performance and progress on continual basis

* Accessible at www.vppartners.org/learning/reports/capacity/capacity.html

Capacity Components	Ranking *(Interpret the text loosely; keep in mind that you are trying to score the organization on a continuum of "1" to "4.")*			
	Clear need for increased capacity	**Basic level of capacity in place**	**Moderate level of capacity in place**	**High level of capacity in place**
Fundraising	• Generally weak fundraising skills and lack of expertise (either internal or access to external expertise)	• Main fundraising needs covered by some combination of internal skills and expertise, and access to some external fundraising expertise	• Regular fundraising • Needs adequately covered by well-developed internal fundraising skills • Occasional access to some external fundraising expertise	• Highly developed internal fundraising skills and expertise in all funding source types to cover all regular needs • Access to external expertise for additional extraordinary needs
Partnerships and alliances development and nurturing	• Limited use of partnerships and alliances with public sector, nonprofit, or for-profit entities	• Early stages of building relationships and collaborating with other for-profit, nonprofit, or public sector entities	• Effectively built and leveraged some key relationships with a few types of relevant parties; some relations may be precarious or not fully "win-win"	• Built, leveraged, and maintained strong, high-impact relationships with variety of relevant parties • Relationships deeply anchored in stable, long-term, mutually beneficial collaboration
Local community presence and involvement	• Organization's presence either not recognized or generally not regarded as positive; few members of local community constructively involved in the organization	• Organization's presence somewhat recognized, and generally regarded as positive within the community; some members of the community constructively engaged with the organization	• Organization reasonably well known within the community, and perceived as open and responsive to community needs; members of the community (including a few prominent ones) constructively involved in the organization	• Organization widely known within the community, and perceived as actively engaged with and extremely responsive to it; many members of the community (including many prominent members) actively and constructively involved in the organization (e.g., board, fundraising)
Organizational processes use and development	• Limited set of processes (e.g., decision making, planning, reviews) • Use of processes is variable, or processes are seen as ad hoc requirements • No monitoring or assessment of processes	• Basic set of processes in core areas • Processes known, used, and truly accepted by only portion of staff • Limited monitoring and assessment of processes, with few improvements made	• Solid, well-designed set of processes in place in core areas • Processes known and accepted by many, often used • Occasional monitoring and assessment of processes, some improvements made	• Robust, lean, and well-designed set of processes (e.g., decision making, planning, reviews) in place in all areas • Processes widely known, used, and accepted • Continual monitoring and assessment of processes, and systematic improvements made
Staffing levels	• Many positions are unfilled, inadequately filled, or experience high turnover and/or poor attendance	• Most critical positions are staffed (no vacancies), and/or experience limited turnover or attendance problems	• Positions are almost all staffed (no vacancies); few turnover or attendance problems	• Positions are all fully staffed (no vacancies); no turnover or attendance problems
Staff	• Staff drawn from a narrow range of backgrounds and experiences; interest and abilities limited to present job; little ability to solve problems as they arise	• Some variety of staff backgrounds and experiences • Good capabilities, including some ability to solve problems as they arise	• Staff drawn from diverse backgrounds and experiences, and bring a broad range of skills • Most are highly capable and committed to mission and strategy; eager to develop and assume increased responsibility	• Staff drawn from very diverse backgrounds and experiences, and bring a broad range of skills • Most staff are highly capable in multiple roles, committed both to mission and continuous learning • Most are eager and able to take on special projects and collaborate

Capacity Components	Ranking *(Interpret the text loosely; keep in mind that you are trying to score the organization on a continuum of "1" to "4.")*			
	Clear need for increased capacity	**Basic level of capacity in place**	**Moderate level of capacity in place**	**High level of capacity in place**
Decision-making framework	• Decisions made largely on an ad hoc basis by one person and/or whomever is accessible; highly informal	• Appropriate decision makers known; decision-making process fairly well established and process is generally followed, but often breaks down and becomes informal	• Clear, largely formal lines/ systems for decision making, but decisions are not always appropriately implemented or followed	• Clear, formal lines/ systems for decision making that involve as broad participation as practical and appropriate along with dissemination/ interpretation of decision
Physical and technological infrastructure*	• Inadequate physical and technological infrastructure, resulting in loss of effectiveness and efficiency (e.g., insufficient workspace, limited number of telephone facilities) • Limited/no use of computers or other technology in day-to-day activity	• Adequate physical and technological infrastructure that can meet organization's most important needs (e.g., basic telephone and fax facilities accessible to most staff) • Equipment sharing is common; satisfactory use of IT infrastructure • A number of improvements could help increase effectiveness and efficiency (e.g., individual voicemails, individual desks)	• Fully adequate physical and technological infrastructure for the current organizational and communication needs • Solid hardware and software; high usage of IT by staff • Infrastructure does not impede effectiveness and efficiency	• Physical and technological infrastructure well tailored to organization's current and anticipated future needs • Well designed and thought out to enhance organization's efficiency and effectiveness • Reliable telephone and fax facilities accessible by all staff • Networked computing hardware with up-to-date software applications used regularly by staff

* For the purposes of this capacity assessment template, physical and technological infrastructures have been merged into one. McKinsey Capacity Grid looks at these dimensions separately.

Tool 8: Exit/Handover Strategy Template

See Chapter 6 for further guidance on developing an exit or handover strategy

EXIT STRATEGY CONCEPT *Engage with communities, local government, and other partners up front to get their input and buy-in.*	1. What elements of the CI project need to be sustained? Check all options that apply. __An activity or program __A benefit or benefit stream __An institution __Funding __A service __Management capacity __A facility or infrastructure __None (because the project will naturally phase out)
	2. Is the company going to be providing initial management or financial support or both? __Yes __No
	3. Will financial support be a one-time allocation or ongoing? If ongoing, specify anticipated duration. __One-time allocation __Ongoing
	4. Could the benefits be maintained without continued support from the company? __Yes __No
	5. If answer above is "no," reconsider company support for the activity. (For existing activities, consider "turnaround" measures to make them more sustainable). If answer above is "yes" describe how? Are there other stakeholders that could take over and sustain this benefit stream/activity (e.g., through community payments for services delivered, by the government taking over the project, by another mechanism)? With what resources?
	6. What kind of training and capacity building and/ or resources are required for this stakeholder to be able to take over and sustain this activity?
	7. What timeframe is needed for successful handover?
OPTIONS	8. Based on the above, which of the following exit / handover strategy approaches are most appropriate? Check all options that apply. __Phasing down over time: • Company reduces activity level/financing level over time—may be in preparation for phasing out or transferring responsibility • Special challenges include: timing; sensitizing target population; maintaining benefit stream; building capacity of organization taking over responsibilities; viability of activity with reduced company support; managing reputational risks __Transfer of responsibility (handover): • Successor institution identified that will continue providing activity or service • Company assists successor institution in securing needed resources and delivery or management capacity • Special challenges include: timing and transition; capacity building; whether scope, scale and quality of activities can continue; viability of handover; managing reputational risks to company if handover is unsuccessful __Phasing out: • Company discontinues support and involvement • No new sponsor is identified (or needed) to continue the activity • Special challenges include: impacts on target population; safety net considerations; reputational risks from abrupt or poorly planned and managed exit
WORK PLAN	9. Summarize the details of the approach(es) you have selected. This may include: • Identifying, where possible, viable successor organization(s) • Key activities and milestones • Timetable (phasing if necessary) • Training/capacity building/mentoring (technical, management, financial, reporting, fundraising, etc.) • Equipment (if necessary) • Financing (if additional external financial support is required) • Community consultation/involvement during exit process • Managing the special challenges (see #10) • Identifying key milestones and indicators for the transition/exit (see #11) The above will be more accurate if a successor organization has already been identified, which, ideally, will be the case.
MANAGING RISKS	10. Describe how the special challenges and risks (listed in #8) associated with the exit option(s) selected will be addressed. Include this in the work plan.
MONITORING	11. Describe how "degree of readiness" for the exit or handover will be tracked and assessed? Provide relevant indicators. The amount of time, advance preparation, and capacity building required to ensure a viable transition/exit is almost always underestimated. Setting key milestones and targets for handover is advisable for tracking progress and enabling mid-course adjustments where needed. Readiness indicators should include targets and be aligned with the exit strategy work plan. Examples include: • Financial indicators that measure the extent to which the necessary financial resources are in place at predetermined time intervals (e.g., by year X, the successor organization will have secured contributions from external actors in the amount of Y) • Organizational capacity indicators that measure the progress in building capacity of partners to manage/take over the project activities after the company's exit/handover • Activity indicators that measure the progress in delivering certain activities (e.g., training, development of partnerships, external fundraising) that are part of the exit strategy work plan

Tool 9: Turnaround Strategy Template

See Chapter 6 for further guidance on developing a turnaround strategy for unstrategic and/or unsustainable CI activities

PROBLEM ANALYSIS	1. What are the problems facing the existing CI program? Check all options that apply. __projects are not sustainable if company withdraws __projects are not aligned with (new) CI strategy / do not support business objectives __lack of sufficient community involvement and ownership __gap between stakeholder expectations and CI results __lack of capacity of implementing parties (internal/external) __creation of dependency relationship __*ad hoc* collection of different projects with lack of clear focus or impact __projects are not aligned with the company's core competencies __projects are not demonstrating value vis-à-vis time and resources invested __external factors (e.g., project impacts, government change, local conflict, etc.) __other (please specify_____)
NEW CI STRATEGY: OBJECTIVES, GUIDING PRINCIPLES & CRITERIA	2. Summarize key aspects of the company's new CI Strategy (objectives linked to the business case, guiding principles, eligibility criteria, alignment with core competencies) using the process set out in this guidance.

ASSESS AND CATEGORIZE CURRENT PORTFOLIO OF CI PROJECTS	3. Assess current CI portfolio in light of strategy set out in #2. Sort projects into three categories (and associated sub-categories) based on their relevance to new CI objectives and principles.
	
	Green = high relevance to new strategy
	    __Retain
	
	Yellow = possible relevance to new strategy
	    __Can be continued, with redesign, to meet new strategy objectives
	    __Objective remains relevant but implementation needs to be revisited
	      (e.g., project implementation needs to be transferred to a competent
	      local partner)
	
	Red = not relevant to new strategy
	    __Stop immediately (e.g., activity is having negative effects or wasting significant resources)
	    __Use phased approach to ceasing activity
	    __Use phased approach to cease activity but replace with alternative
	      (e.g., donation program that is very popular with the community but
	      creating dependency/not aligned with new priorities. If stopped,
	      needs to be replaced with another program delivering benefits but in a
	      more sustainable manner and in consultation with local stakeholders.)

WORKPLAN FOR TURNAROUND *Effective engagement of internal and external stakeholders in the redesign process to gain their understanding and support will be critical to the success of the turnaround.*	4. Develop a Turnaround Plan. Suggested components include: • Assessment of existing activities - consider each existing project separately in terms of how it needs to be addressed, while keeping track of the CI program's direction as a whole • Engagement with external stakeholders to create local buy-in to the redesign process (e.g., be transparent and try to minimize any negative impacts on local communities) • Engagement with internal stakeholders to create staff and management buy-in to the redesign process *(e.g., be transparent and be prepared to "sell" the new program to senior management based on internal business case for the turnaround strategy)* Based on engagement process: • Timeline for phasing out old projects and phasing in new ones (consider how best to do this with minimum disruption) • Identification of partners for existing, redesigned and/or new activities • Capacity building program for partners and/or communities • Transition process which prepares partners/successor organizations to take over and sustain existing programs in the medium to long term, and to be ready to take on new ones.
MONITORING PROGRESS *Indicators can be used to measure progress as well as end results. Interim results can be used for redesign purposes as necessary.*	Define indicators to be used to monitor progress of the turnaround strategy. • Status indicators (which measure program milestones and show progress against stated work plan objectives, targets, and timelines given in #4) • Company-community relations indicators (which show how turnaround activities are perceived by key stakeholders and effect on local perceptions of the company)

Tool 10: Planning and Financial Valuation Tool for Sustainability Investments

The Planning and Financial Valuation Tool (FV Tool) helps a company to measure the financial return of its sustainability programs and to establish the value of risk mitigated through such activities. Specifically, it aims to answer three questions:

1. What is the optimal portfolio of sustainability investments for a given operation?

2. How large an economic return back to the company can be expected from such a portfolio?

3. When is the ideal timeframe for making specific sustainability interventions?

The FV Tool can be used to assess the value of a company's portfolio of CI programs or to assess a broader spectrum of corporate investments in sustainability (e.g., biodiversity, workforce development, health, education, and so forth). Companies can use this information to evaluate program effectiveness and to strategically allocate financial resources to those programs with maximum positive impact for both local communities and the business operation.

The FV Tool draws on a growing global database of CI programs from the collective experiences of the extractives industry at the project or asset level (rather than the company as a whole). The current version of the FV Tool is suited to oil, gas, and mining projects; in the future, it will be adapted for other sectors.

How the Model Works

The Excel-based model* estimates the expected net present value of a specific project's sustainability investment portfolio over the lifespan of the project (i.e., mine or pipeline).

Company Risk Register
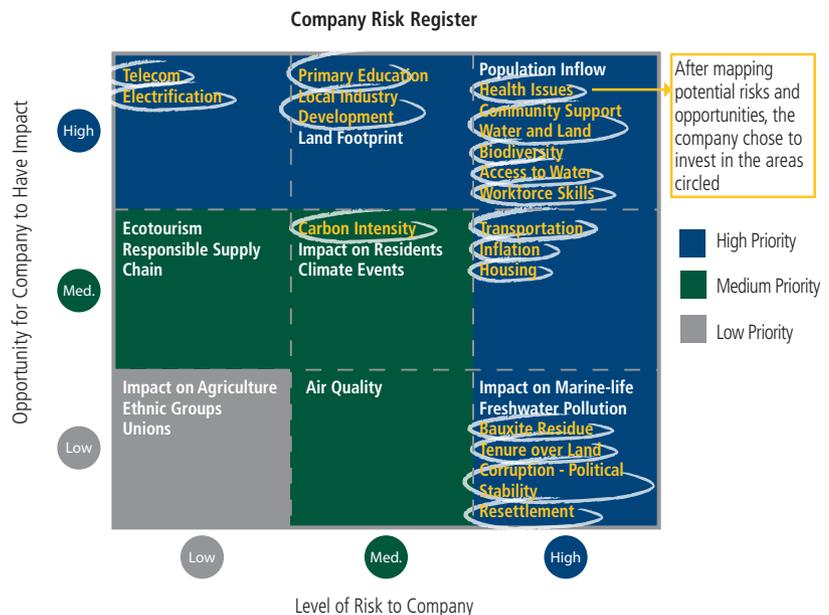
* The model requires technical knowledge to set the input parameters. It is not a one-size-fits-all approach; the model's variables are configured per project.

The application of the tool includes the following steps:

1. Start with the asset/project's existing financial model.

2. Draw on the company's existing analysis of project stakeholders, risks, and opportunities.

3. Conduct cost-benefit analyses of potential productivity gains from sustainability/ community investments, such as training to switch from expatriate labor to a local labor force or an anti-malaria program that keeps the workforce and the community healthier. This is referred to as "value creation."

4. Analyze how much risk may be mitigated through such community investments by costing out the potential savings by reducing the frequency and intensity of negative events (i.e., delays in construction, disruptions in production, even likelihood of expropriation—all of which may be affected by local stakeholders' perceptions of the company). This is referred to as "value protection."

5. Based on the "value creation" and "value protection" analyses, a Monte Carlo simulation* is run to factor in randomness (not knowing if or when such costly "risk" events might occur).

6. A range of probable net present value (NPV)** over the lifespan of the asset is the output, broken down by the contributions of specific community investments.

FV TOOL OUTPUT

SUSTAINABILITY ISSUE	Switch	Value Creation NPV Calculations	Value Protection NPV Calculations	Total SD/ CR Added Value (NPV)	Relative Share	Sharpe Ratio	Stand Alone Standard Deviations	In % of Project NPV	Standard deviation in % of its Mean
						Measure of the excess return (or Risk Premium) per unit of risk in an investment asset			
Initiatives	↓								
Workforce	on	259,509	21,861	281,370	12.90%	4.25	66,282	62.49%	23.56%
Local Suppliers	on	72,538	10,930	83,469	6.45%	2.89	29,644	18.54%	35.52%
Health	on	6,292	13,663	22,688	8.06%	0.55	36,200	5.04%	159.56%
Housing	on	797	13,663	14,460	8.06%	0.40	36,187	3.21%	250.25%
Access to Water	on	-83	13,663	10,846	8.06%	0.38	36,187	2.41%	333.62%
Electrification	on	-83	8,198	13,579	4.84%	0.37	21,712	3.02%	159.89%
Legal	on	-525	10,930	7,672	6.45%	0.36	28,947	1.70%	377.28%
Primary Education	on	-1,144	13,663	23,449	8.06%	0.35	36,182	5.21%	154.30%
Community Development	on	-3,438	24,594	10,225	14.25%	0.32	65,125	2.27%	636.90%
Resettlement	on	-3,357	8,198	10,305	4.84%	0.22	21,701	2.29%	210.58%
Biodiversity	on	-6,909	16,396	6,754	9.68%	0.22	43,410	1.50%	642.73%
Food Supply	on	-42,741	13,663	-34,542	8.06%	-0.80	36,178	-7.67%	-104.73%
Total		**280,583**	**169,426**	**450,279**	**100%**		**451,494**		

Investment selected through risk register process

Figures in US $ thousands

Direct cash savings or revenue to company

Indirect savings through risk events avoided

Total value created and protected over lifespan of project

Standard deviation shows how much variation there is from the "average" mean

* Monte Carlo simulation methods (or Monte Carlo experiments) are a class of computational algorithms that rely on repeated random sampling to compute their results. Monte Carlo methods are useful for modeling phenomena with significant uncertainty in inputs, such as the calculation of risk in business. (Source: Wikipedia)

** The net present value (NPV) of a time series of cash flows, both incoming and outgoing, is defined as the sum of the present values (PVs) of the individual cash flows. NPV is a central tool in discounted cash flow (DCF) analysis, and is a standard method for using the time value of money to appraise long-term projects. (Source: Wikipedia)

The user can go through this exercise for two or more portfolios of sustainability investments to learn which approaches are more likely to yield greater value to the company over time.

EXAMPLE: Cost-Benefit Evaluation of Community Investment - Workforce

Cost Drivers	Benefits Drivers

• Cost of baseline studies
• Fully loaded annual salaries (average)
  % Full-time employees
  – Company staff (+ travel costs)
  – Local human resources
  – Average local salaries (blue and white collar)
• Local literacy rate; # of adults to be trained
• Cost of training; # employees to be trained
  – Pre-employment training per employee
  – Vocational training per employee
  – Technical training (e.g., seconded employees)
  – Continuous training per employee (% of salary)
	• Labor cost savings during construction and operations, derived from:
	  – Annual salary savings for foreign and expatriate worker
	  – % of labor force **without sustainability objectives (SCENARIO A)** in construction and operations
	    » # Local
	    » #Foreign
	    » #Expatriate
	  – % of labor force **with sustainability objectives (SCENARIO B)**

Inputs

Workforce					
Cash Flow Basis					
Phase	Pre-Feasibility	Feasibility	Construction	Operations (per year)	Closure
Costs	-1.487	-6.996	-2.059	-332	-501
Benefits			172.019	20.135	

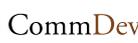→ **Direct NPV= $247,369K (over lifetime of the project)**

Lessons to date:

• The FV Tool brings together different business units across the company to mine employees' judgment and expertise in the areas of corporate responsibility, risk, finance, human resources, law, and asset management.

• The added rigor and embedded stakeholder engagement leads to greater local development impact from a company's investments.

• Early findings suggest that it may make good business sense for companies to consider investing in communities earlier than is traditionally accepted.

Results:

The tool aims to incorporate sustainability investments into the core of a company's project planning process. This is not just an academic exercise; it fosters community development through an incentive structure that is consistent with a company's bottom line.

Partners:

The FV Tool is being developed as a partnership comprising IFC, Rio Tinto Alcan, Deloitte, and MIGA, with support from the Government of Norway. More information is available at: www.commdev.org.

MIGA
World Bank Group
Multilateral Investment
Guarantee Agency

IFC | International Finance Corporation
World Bank Group

CommDev

Rio Tinto Alcan

Deloitte.

NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

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