Corporate Citizenship Manual for Development Finance Institutions

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INTRODUCTION

DFIs as Responsible Corporate Citizens

Sustainability, a recent trend in international development, has redefined how companies and financial institutions around the world do business. Whereas before, business actions were largely driven by profits, today, people and the environment are also important factors that influence business decisions.

Businesses and financial institutions are increasingly adopting sustainability as a priority for several reasons. First, globalization raised the bar for development goals. Now that people can more easily cross political boundaries, they can compare their present welfare against the potential they could have achieved. Second, information technology provided an important avenue for comparing the welfare of states, thereby enabling a better understanding of which development strategies and policies are most effective. Third, the nature of the prevailing corporate organization model has evolved. In the past, business models were predominantly oriented toward short-term results such as profit and performance. Those short-sighted approaches ended in systemic failures, as demonstrated in the Asian Crisis of 1997 and the U.S. corporate scandals in the early 2000s.

As a result of these factors, many businesses and finance institutions have accepted sustainable development – manifested in a commitment to corporate citizenship – as their operative goal. Corporate citizenship is a way to engage in sustainable development. A corporate citizen is a business that voluntarily adopts its responsibility to social, economic and environmental goals of the national welfare.

Development banks, or development financing institutions (DFIs), have an important role to play in advancing the global sustainability agenda. They are set up by governments to provide credit to higher risk investment in the areas where commercial loans are otherwise hard to obtain such as long-term infrastructure projects or loans to small and medium-sized enterprises (SMEs). Due to their unique mandate, DFIs must operate according to the dual bottom line: achieving both financial sustainability and developmental impact. Sustainability of DFIs is therefore key both in its own right and as a part of good corporate citizenship.

Laws regulating most DFIs emphasize that they must reach out to SMEs on a large scale in both rural and urban areas, delivering more sophisticated financial services in addition to loans that small businesses may otherwise not have access to. However, because DFI loans are typically guaranteed by national governments, there is little incentive for DFI lenders to conduct due diligence of SME borrowers. In many cases, governments had to recapitalize DFIs when their capital accounts were eroded by operating losses and subsidized lending to SMEs. Hence DFIs have the difficult task of performing their outreach targets while remaining sustainable.

This Corporate Citizenship Manual for DFIs is designed to help development banks meet the challenge of sustainability, providing a comprehensive framework for how to design and implement corporate citizenship objectives in a sustainable way. Part I offers an overview of corporate citizenship, corporate governance, and corporate social responsibility (CSR). Part II identifies the benefits of CSR programs for DFIs, and Part III comprises a toolkit for DFIs to plan, implement, and monitor CSR projects.

Responsible Corporate Citizenship (RCC) involves the three Ps – people (social impact), profits (contribution to development), and planet (environmental protection) with a central role being played by governance and ethics. This simple framework suggests that sustainable development measured by a balanced triple bottom line (TBL) requires an institution to get its governance and ethical house in order. It is not possible – at least in the long run, for good CSR projects to come out of institutions that have governance and ethical issues of their own. Implementing this framework is of key importance for DFIs, many of whom are legally mandated to institutionalize CSR in their planning, operations and monitoring process.
Towards Corporate Citizenship

Defining a Good Corporate Citizen

What does it mean to be a good corporate citizen? While definitions may vary, there are certain universal characteristics of a good corporate citizen. These include adhering to voluntary standards of business conduct as an alternative to regulation, maintaining the integrity of internal business operations, and assuming responsibility for greater social and economic issues.

Good corporate citizenship serves as a substitute for costly and often ineffective regulation. Regulation affects most business operations, since the government monitors business and industry. The costs of regulation are paid for by taxpayers, but external regulations do not always work. If regulatory institutions are weak and inefficient, taxpayers absorb a negative rate of return on their investment in setting up the regulatory system. Seen in this light, corporate citizenship can be a more effective alternative to regulation, especially in the areas where regulations may be lacking or poorly enforced. Becoming a corporate citizen is an offer by a business to regulate itself with a pledge that it will abide by unwritten regulations. The benefit of adopting such a voluntary pledge is that it applies even when business actions are too costly to monitor — a good corporate citizen is still bound to honor its pledge.

Corporate citizenship mitigates but does not eliminate the problem of moral hazard, or the propensity to perpetrate a socially harmful act because it cannot be easily observed. With the corporate citizen pledge, i.e. declaration of good corporate citizenship policy, a business agrees to consider the concerns of various stakeholders in its choice of action rather than follow only its own narrowly defined benefit. Therefore, corporate citizenship serves as a part of internal controls of business. A business that adopted a good corporate citizenship policy has, by virtue of the pledge, committed to monitoring and enforcing that policy using the law, ethical norms, and best international practices.

Finally, good corporate citizenship is about “owning-up” by assuming greater responsibility for the economy and the society. It means accepting accountability for the actions of businesses even when the consequences cannot be clearly attributed exclusively to a particular business. In the past, it was common practice for businesses to rely on legal smokescreens to avoid liability for such acts. Now the norms may be changing for the better. In several instances in the Philippines, companies engaged in logging and mining activities quickly accepted responsibilities for the disasters and, as good corporate citizens, acted to save people from the landslides.

When government institutions are weak, good corporate citizens take the lead in activities such as disaster relief, providing credit for women, and low-cost housing, to name a few. A sound corporate citizenship policy deals with both: a) the risk that events like natural disasters pose and b) the consequence of risk arising from day-to-day conditions that businesses face, such as poverty in the local community that affects business performance. In both cases, a corporate citizen converts the adverse impact of the risk into a positive opportunity for cooperation and mutual understanding among the concerned stakeholders.

Building Corporate Citizenship through Corporate Governance and CSR

A company or financial institution’s ability to be a good corporate citizen is influenced by two factors: their internal governance, i.e. corporate governance, and their engagement with the surrounding community, or corporate social responsibility (CSR).
Corporate governance addresses the issues vital to every company’s performance and its very survival such as leadership selection, strategic decision-making, day-to-day operations, and legal compliance. It is an internal set of rules that ultimately focuses on accountability of the business to its investors and stakeholders. Corporate governance influences how a company or institution interacts with its surrounding community in significant ways. For example, social responsibility programs that determine how a business will perform its role in the society are decided upon by a board of directors. As such, good corporate governance is a way for companies – including DFIs – to ensure sound business practices, sustained growth, and risk management, in addition to ensuring that sustainable business development takes on its stewardship role.

While corporate citizenship and corporate governance are closely related, the former is broader in scope than the latter. Specifically, corporate governance is more narrowly concerned with the rules that guide company strategy and behavior, whereas corporate citizenship entails broader engagement with local communities and stakeholders, and it is a part of local tradition and culture that defines business practices. Good corporate governance is crucial for businesses to be responsible corporate citizens that produce high-impact corporate social responsibility (CSR) programs.

CSR is the operational and visible evidence of good corporate citizenship. CSR is often narrowly understood as charitable contributions by business. Yet, its more exhaustive understanding involves actions and initiatives that stem from a company’s core values and corporate citizenship philosophy.

One can summarize the relationship between corporate governance, corporate citizenship and CSR in the following way. Corporate governance is driven by a set of core values. Good corporate citizenship is a commitment to responsible conduct that a business voluntarily adopts, along with sustainable development goals and triple bottom line performance measurements. CSR initiatives are the tangible actions and activities of a corporate citizen. The commitment to good corporate citizenship provides the leadership needed to formulate a consensus over what constitutes CSR for a particular business. These relationships are shown schematically in Figures 1 and 2. Figure 3 identifies the drivers of corporate governance, responsible corporate citizenship and CSR along with their respective impact on society.
DFIs in particular are supposed to personify good corporate citizenship with their board of directors being legally mandated by the government to help the country's financially underserved sectors as a part of DFI mission. The following chapter will explore how DFIs can fulfill that mission in practice and become responsible corporate citizens.
The Fundamentals and Benefits of CSR Programs for DFIs

The Business Case for CSR and Corporate Citizenship

Including activities that yield public goods into the mission and vision of a DFI generates various benefits to investors and stakeholders. Economists call these “positive externalities.” Sometimes the causal effects are easy to establish but more often they cannot be attributed to any one cause, much less as direct results of CSR. Given this caveat, one can characterize CSR and its benefits as: (a) cumulative, where impact is best made evident by pursuing a long-term, continuing program; (b) directed at particular stakeholders who are affected by the activities of the business; (c) voluntary, or not presently a legal requirement (refers to the internal, self-imposed nature of the CSR); (d) ethical, i.e., there should be no doubt about the correct and equitable nature and purpose of CSR projects; and (e) clearly beneficial to the society, but with benefits sometimes hard to measure.

Qualitative Benefits of CSR

Because CSR initiatives are usually voluntary, special care must be taken when examining the effects of CSR relative to its purpose and the benefits CSR projects bring to the businesses and financial institutions that pursue them. The three basic requirements for integrity of CSR projects are sustainability, accountability, and transparency. They are also key qualitative benefits that good corporate citizenship brings to an organization. A sustainable CSR program has a continuing sense of mission and contribution to development, and it is initiated after careful studies of the benefits and beneficiaries. A strong CSR plan should show that the proponents of particular CSR initiatives have thought through the questions and impediments that might be encountered in the implementation stage.

Similarly, a well thought-out CSR plan should clearly show a positive impact of the CSR project on the intended beneficiaries. Because CSR projects unavoidably benefit some groups and not others, transparency is crucial to upholding the principles of corporate citizenship. All DFIs should operate under the equivalent of a “sunshine policy” in which external actors are invited to examine what a particular CSR program has proposed and achieved.

An accountable CSR project is a well-defined development program with clear set of objectives. Accountability in particular can be an issue when legislation mandates CSR projects to be structured cooperatively between businesses or DFIs and non-governmental organizations (NGOs). NGOs tend to have a weaker internal control structure than private companies and DFIs. CSR projects that entail cooperative endeavors where governance among some partners is weak can result in an ineffective resource distribution and allow for corrupt practices. Therefore, the design of CSR projects should include due diligence on the principals of partner NGOs and their internal control systems.

Quantitative Benefits of CSR

CSR activities can benefit business in the following quantifiable areas:

1. **CSR helps with improvement of brand value, reputation and brand quality.** Businesses usually develop their brands over many years. When a business chooses to build its brand, that business aims to project a specific message associated with it or its products. CSR projects help consumers view the product or company as good. Supporting brand image is thus one of CSR projects’ proven contributions to businesses and institutions.
2. **Employees exposed to CSR projects are more effective, mobile and qualified at dealing with economic, social and environment issues.** Staff participation in CSR projects makes them more knowledgeable and more likely to support and engage in business sustainability. Employees that believe their company is ethical are more likely to stay and work there. At the end of the day, CSR lowers the company’s costs of searching for new hires.

3. **Risk management is improved in terms of broader risk profile.** Depending on the industry and products, commercial risk factors have increased over the past decades. By being an advocate of CSR, a business gains familiarity and deeper knowledge of risks inherent in its operations and ways of mitigating them. The stakeholders serve as an “early warning signal” if the business is doing (or intends to do) something wrong.

4. **Operational efficiency and business opportunity are enhanced.** A CSR program itself might give rise to a business opportunity. Because of the cooperative nature of the implementation of CSR projects, they could reveal ways of doing things better, e.g., more effective ways of managing workers could be discovered in the process of consultation with stakeholders.

**Approaches to Corporate Social Responsibility Programs for DFIs**

CSR is rooted in a business or financial institution’s commitment to the needs of their community. The success of CSR programming depends on taking their social commitment seriously and continuously taking action. In addition, a responsible business provides a facility for submitting feedback to indicate whether there are better ways of implementing CSR programs by the company itself or in cooperation with other stakeholders.

There are several approaches to CSR. The most common approach to CSR has traditionally been philanthropy. Monetary donations are given to local organizations and impoverished communities in developing countries. This approach is a passive CSR because it does not help build on the skills of the local people whereas community-based development approach, is becoming more widely accepted, generally leads to more sustainable development. The recommended approach should also incorporate the CSR strategy directly into the business strategy of a DFI because it fits very strongly into each DFI’s commitment to advancing the welfare of its community.

Another approach that is gaining more interest is a concept called Creating Shared Values or CSV. CSV comes from the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to complete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.

CSV looks for competitive advantage gained by converting a social proposition into a corporate strategy. In contrast, many approaches to CSR pit businesses against society and emphasize the costs and limitations of compliance with externally imposed social and environmental standards. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy. Benchmarking CSVs involves reviewing competitor’s CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment. DFIs have a shared goal with government when it comes to CSV because financing development is precisely what DFIs are created for.

Businesses and institutions have two general options for pursuing CSR programming: host the program internally, or work with an outside partner. When exploring the felt need of the workers in their community, for instance, businesses tend to look for solutions amongst themselves. This allows them to bring in their operational competence and skills to search for solutions uniquely suited to their core competencies. Because CSR activities are often conducted close to companies’ technical specialization, their efforts can pay off immediately and CSR initiatives become easier to conduct.
While working internally to implement CSR programs can be successful for companies, many DFIs in particular find that cooperating with a local or national NGO is more effective. Most NGOs specialize in a particular area, and focus on a specific purpose. They are often cause-oriented and their operations are focused on acquiring grassroots knowledge of the felt need of a given sub-population. This strength makes them attractive partners for DFIs who are executing CSR programs in specific localities and sectors.

A DFI, just like any other business, need not have good governance in order to be engaged in CSR activities. In fact, it might engage in CSR activities to mask its inadequacies in corporate governance. Such inconsistencies are often flagged by observers who point out contradictory practices of prominent global companies. These contradictions are caused by conflicts in objectives of the triple bottom line. For example, a business might improve its profitability by hiring untenured workers even though this might be contrary to a company policy that mandates the company giving proper wages and tenure to employees. To avoid such contradictions, DFIs but be an effective steward of its various resources.

DFIs as Stewards of Resources

Before a business or DFI can pursue CSR projects ("be good"), it must first be able to manage its financial, social, human and environmental resources ("do good"). Good governance is necessary for any business to be a viable entity. Stewardship, a term often used when referencing CSR, is about the management of resources, especially the environment.

A good steward, whether a business or DFI, will choose sustainable activities that enable the present generation to survive while ensuring that future generations will also have enough resources. A steward controls consumption of the present generation, storing resources in good times in order to enable the future generation to survive in bad times. A commitment to good corporate citizenship, coupled with well-designed CSR projects, is an important way for DFIs to ensure future sustainability for generations and societies to come. Figure 4 shows decisions made by a steward over the resources of tomorrow.

FIGURE 4
Stewardship: Strategies to Optimize Scarce Resources in Good and Bad Times

A recent example of that is the controversy over Apple Computers manufacturing iPhones in China over long hours and in poor working conditions compared to the corresponding labor standards in the U.S. Known for its high gross profit margins, Apple had to respond. It agreed to an inspection of working conditions for its products. The inspection suggested that Apple was unfairly accumulating earnings from sweatshops in China.
PART III

A Toolkit for DFIs in Planning, Implementing and Monitoring of CSR Programs

The CG-CSR Rating

The following toolkit involves a self-assessment of the achievement levels of CG and CSR, serving DFIs as they aspire for higher levels of both. It is meant to be used as a guide for DFIs in planning, implementing, and monitoring various CSR projects. The assessment tools that follow are based on the corporate governance scorecard developed by ADFIAP (see Annex A) and the CSR Continuum developed by Strandberg Consulting (see Annex B).

Figure 5 shows sample initial-level ratings of DFIs on their overall CSR and CG capabilities before proceeding to the design and conduct of specific CSR projects.

FIGURE 5
Corporate Governance and CSR: Two-Way Classification

The ADFIAP Corporate Governance Scorecard and the Strandberg CSR Continuum Worksheet are intended to be self-administered by DFIs around the world. With the results of those two instruments, DFIs can then locate themselves on a grid according to their governance characteristics and CSR level. A DFI may have a high CG rating but because it has not undertaken many CSR projects, it may be rated low on its CSR performance. Another DFI may have a low CSR level but high CG quality score. Finally, a DFI may have moderately good CSR and CG scores. In that case, the DFI achieves a good balance for CSR and CG performance. After establishing its initial capacity levels, a DFI faces the question of how to prepare a CSR project.

This toolkit is meant to guide a DFI through the successful execution of a corporate citizenship strategy and CSR projects.

As mentioned before, in the RCC model, the focus is on sustainable development. Good corporate governance is a necessary though not sufficient requirement for sustainability. The role of CG is to ensure sustainability in each of the three areas – economic, social and environmental. Most of all, corporate governance provides the drive and leadership through the board of directors to formulate and implement CC policies. This toolkit presents five potential CSR initiatives corresponding to various CSR capacity levels and tailored specifically for DFIs given their special mandate in terms of developing and financing SMEs.

The toolkit’s classification of levels of difficulty and impact of SME financing and investment projects serves as a guide for DFIs to select CSR initiatives that are most appropriate for them. For example, using the CG-CSR two-way analysis above, a DFI with high CG rating and high CSR rating might discover that a CSR project they proposed can be made more ambitious and have greater impact given the organization’s high capacity to implement it. Conversely, a DFI with low CG rating and low CSR rating might have proposed to perform a difficult but high-impact CSR project and may need to reconsider whether that project is realistic. Thus, the two instruments taken together enable a DFI to make a self-assessment of the suitability of a given CSR project that it is planning to undertake.

To use the toolkit, a DFI must first locate its current performance track record along the CG and CSR grid. This will allow the DFI to see and understand its ability to undertake CSR projects at appropriate levels of difficulty. The usefulness of the comparative rating system will increase the DFI’s chances for success. This is because CSR and CG ratings serve to limit the range of projects that the DFI’s board is willing and able to authorize. The CSR project can then be conducted more successfully under this constraint.

**Measuring CSR Achievement**

There are five levels of CSR achievement for DFIs. The Strandberg Consulting worksheet in Annex B details them along with the defining characteristics of CSR at each level. A summary of each level, highlighting its positive and negative features, follows below.

**Level I.** The lowest level of CSR exists when a DFI considers CSR participation as simply complying with the current legal requirements. There are no elements of initiative or voluntary support for CSR projects in Level I. This stage of CSR participation can be called compliance CSR.

| Level I: CSR as compliance with regulations or social and environmental laws with no voluntary initiative |
| Positive Feature: DFI is compliant with increasing awareness of CSR |
| Negative Feature: No accountability for social and environmental performance beyond the legally mandated minimum |

**Level II.** This level is primarily concerned with philanthropy, meaning that, for instance, a DFI may formulate environment-focused programs for the purpose of attracting media attention. The DFI participates in CSR projects but only when it clearly benefits from the project in terms of brand image, using CSR participation for self-serving goals.

In Level II, a DFI begins to recognize that CSR is good business but does not believe that it should necessarily engage in CSR. Level II is a suitable description of a business or financial
institution that has not realized that the norms of business conduct have changed from single bottom line – profits – to the triple bottom line (TBL): people, profits, and environment. Businesses in this stage engage in CSR programs for the sole purpose of avoiding legal liabilities but begin to understand sustainability as the underlying basis for true development. Other elements of CSR participation begin to enter the domain of business operations and the results that appear in their TBL start to become a part of their CSR policy.

<table>
<thead>
<tr>
<th>CSR Level II:</th>
<th>CSR as a “win-win proposition” for the long term and over wide dimensions (TBL) of sustainability</th>
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<tbody>
<tr>
<td>Positive Feature:</td>
<td>DFI engages in CSR but on an ad hoc basis; participates in CSR activities only when recognition and public credits are forthcoming</td>
</tr>
<tr>
<td>Negative Feature:</td>
<td>Limited to legal requirements and brand-building</td>
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</table>

Level III is the first in which CSR becomes a strategic investment and DFI considers its long-term benefits. Level III is the take-off point for true CSR accountability, when the business or financial institution begins to understand the multi-faceted benefits of CSR programs. For this to happen, there must be a driving force that appreciates CSR as good business and as a strategic opportunity for future investment. Examples of these investment opportunities include affordable housing and micro-finance programs administered by a DFI.

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<tr>
<th>CSR Level III:</th>
<th>CCSR as strategic investment</th>
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<tr>
<td>Positive Feature:</td>
<td>CSR enters the vision-mission-values of a DFI, strategic planning shifts to positive view of sustainable development and uses the triple bottom line to measure sustainable development</td>
</tr>
<tr>
<td>Negative Feature:</td>
<td>Other business segments, e.g., companies belonging to the group, do not yet adhere to the tenets of sustainable development</td>
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Level IV is about institutionalizing CSR into the mission, vision and values of the business. At this level, the board of directors’ oversight ensures that the CSR strategy is aligned with the overall direction of the business activities of the DFI. Similarly, business strategies contain a CSR component, distinguishing the DFI from those at lower CSR levels. Finally, CSR becomes a brand associated with the DFI – it has formal CSR programs complete with impact on social, economic and environmental issues. Stakeholders begin to invest or increase their investments in strategies affecting CSR goals.
Level V is achieved when the mission of a business beyond generating profits is to improve the condition of local communities and preserve the environment. All resources are conserved and used to advance sustainability.

Case Studies of CSR Projects in the SME Sector

Experiences presented here are derived from DFIs in five countries – India, Thailand, Vietnam, Malaysia, and the Philippines – where ADFIAP member-banks contributed CSR case studies involving projects that address issues facing SMEs. However, their applicability goes beyond Asia and can be of use to development banks around the world. For each sample CSR project, this manual provides a format for classifying and summarizing the difference made by CSR as well as the characteristics of the SMEs that benefited, particularly regarding their sustainable development.
Case 1: Vietnam – Assisting SMEs in the Process of Economic Integration

The economy of Vietnam includes large numbers of SMEs. It is clear to Vietnam’s agency supporting the development of SMEs, the Vietnam Association of Small and Medium Enterprise (VINASME), that in order to make Vietnam more competitive in the world export market, it must better integrate SMEs into the economy. One approach is to aggregate different SMEs under a single economic unit that will gather information about those small producers and their goods in order inform local and foreign buyers on their availability, prices and quality.

The government has been trying to leverage the country’s disciplined skilled workers employed in SMEs by matching their operations with the purchasing requirements of larger companies. The government recognizes that competitiveness of the Vietnamese worker is the key to accelerating growth. Therefore, it launched an effort to enhance the capacity of VINASME to support SMEs in the process of integration, especially in rural areas. As a result, VINASME created a model platform for providing information and consulting services to SMEs, and conveying petitions that express SME needs to the government. The project is currently in a pilot stage with plans for replication.

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<th>Description of CSR Activities and Participants</th>
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<td>Stakeholders</td>
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<tr>
<td>“Felt Need”</td>
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<tr>
<td>Public Good</td>
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<tr>
<td>CSR Project</td>
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<td>Corporate Citizen</td>
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Case 2: India - Getting the unbanked rural sector to join formal banking

For DFIs, it is important to generate funds from local sources to make self-financing a viable option for SMEs to meet their investing requirements. In many parts of India, getting people and their micro, small, and medium-sized enterprises (MSMEs) to use the banking facilities is a primary problem in generating local funding for the DFI’s CSR projects. Given the high growth Indian economy, DFIs must anticipate the need for developing people’s demand for bank services by highlighting the advantages of being able to conduct transactions with banks. For example, the IDBI Bank in India is pursuing an important CSR project with the Reserve Bank and the Government of India to implement the Financial Inclusion Plan for the country. With a goal to include the rural inhabitants in unbanked villages into the formal banking system, IDBI Bank launched the Financial Inclusion Programme in September 2011. IDBI Bank’s board approved a plan to provide formal banking services in 119 unbanked villages with population of more than 2,000 in different states of India, and there are plans for further expansion.

IDBI Bank’s project led to greater savings capacity among SMEs and the poor, improved the well-being and security of new banks customers who previously had no access to formal
banking, and contributed to the integration of the informal sector into the formal economy and banking system. With success in this CSR project, the regulatory protection offered by the financial system to the formerly unbanked population became visible and effective.

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<tbody>
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<td><strong>Stakeholders</strong></td>
<td>Small businesses, individuals and other banks</td>
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<tr>
<td><strong>“Felt Need”</strong></td>
<td>A way of organizing personal and business finances through banking facilities available to MSMEs</td>
</tr>
<tr>
<td><strong>Public Good</strong></td>
<td>More banking services available to MSMEs, especially those run by women, and all businesses, whether large or small</td>
</tr>
<tr>
<td><strong>CSR Project</strong></td>
<td>Offering banking services to new, formerly unbanked MSME customers for free</td>
</tr>
<tr>
<td><strong>Corporate Citizen</strong></td>
<td>IDBI Bank reaching out to the unbanked population especially MSMEs</td>
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</tbody>
</table>

**Case 3: Thailand – The Benefits of Credit Guarantees to SMEs**

Thailand already has a dedicated SME Bank that is majority-owned by the government and by the Bank Association of Thailand in a small minority. Thai SMEs constitute the backbone of the economy and its export sector. However, Thailand needed another financial intermediary to raise the volume of financing available to SMEs by leveraging funds against the guarantee of the Government of Thailand. For this purpose, the government created the Small Business Guarantee Corporation (SBGC).*

In 2009, the Ministry of Finance and the Bank of Thailand created guidelines for assisting SMEs, with SBGC designated as the main mechanism for providing credit guarantees for SMEs with insufficient collateral. Under the guidelines, SBGC took the risk on behalf of the financial institutions as loan guarantor in order to create confidence and encourage financial institutions to render more credit to SMEs for their enhanced liquidity. Thus, the Cabinet at its meeting on

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<td>Microenterprises, SMEs, Central Bank of Thailand, and private sector shareholders</td>
</tr>
<tr>
<td><strong>“Felt Need”</strong></td>
<td>Lending to SMEs has been limited and not sufficient for risky projects; however, without proper controls, large capital losses can result from lending to SMEs, which makes most commercial banks hesitant to lend to SMEs</td>
</tr>
<tr>
<td><strong>Public Good</strong></td>
<td>More funds available for SME lending</td>
</tr>
<tr>
<td><strong>CSR Project</strong></td>
<td>Establishment of the credit guarantee corporation of Thailand</td>
</tr>
<tr>
<td><strong>Corporate Citizen</strong></td>
<td>SBGC – the credit guarantee corporation that is acting responsibly while supporting SMEs</td>
</tr>
</tbody>
</table>

* SBGC is now Thai Credit Guarantee Corporation
February 17, 2009 passed the resolutions approving SBGC’s Portfolio Guarantee Scheme.

The response of the market was overwhelming. By guaranteeing the loans, SBGC generated top-line revenues and new SME activities. In order to manage the risk of its portfolio, SBGC provided credit guarantees on portfolios with a mutual agreement between SBGC and the government on the sharing of the guarantee risk premium. SBGC set the maximum loss limit for the guarantee at 15.5% of average guarantee amount throughout the project life. The maximum total credit loss is covered by the collected guarantee fees at 8.75% with the other 6.75% coming from the compensation paid by reimbursement from the government for the actual guarantee payment in a given year. Setting the maximum potential loss at 15.5% and, more importantly, funding the entire annual expected default loss, limits the default risk of SBGC.

Case 4: Malaysia - Providing Facilities and Services that Bring Buyers and SME Sellers Together

Malaysia has a thriving and vibrant SME sector. The government wants to capitalize on this advantage by gearing up its partnerships with foreign buyers. By setting up the SME Bank, the government was able to establish a showcase facility to serve as a meeting point for producers and buyers of local products. SMEs want to be informed about latest technologies and government support for acquiring them. The facility, located at the Kuala Lumpur main railway station, has advanced amenities for meetings and a roster of advisers and technical experts to help Malaysian SMEs take off. Among services offered by SME Bank are skills upgrading, product exhibition, business networking program, branding and innovation, etc. They are all meant to promote the competitiveness of SMEs in Malaysia.

<table>
<thead>
<tr>
<th>Description of CSR Activities and Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholders</strong></td>
</tr>
<tr>
<td><strong>“Felt Need”</strong></td>
</tr>
<tr>
<td><strong>Public Good</strong></td>
</tr>
<tr>
<td><strong>CSR Project</strong></td>
</tr>
<tr>
<td><strong>Corporate Citizen</strong></td>
</tr>
</tbody>
</table>

Case 5: Philippines – Wholesale lending to better serve SMEs

A privately-owned DFI in the Philippines, Planters Development Bank, is increasing its lending by working to become accredited as a wholesale bank. In doing so, Planters Development Bank is offering to administer foreign wholesale funds for deployment to SME customers through retail banks. Traditionally, the government-owned DFI, Development Bank of the Philippines, has served as the wholesale bank for the purpose of issuing guarantees on foreign funds distributed to SMEs through lending. By becoming accredited as a wholesale institution, Planters Development Bank has been able to better assume the risk of SME lending portfolio. This expands the possibilities for financing SMEs.
Formulating an Effective CSR Project

Following the CG-CSR rating approach and learning from the case studies of actual CSR projects, a DFI can use this template to evaluate its own capacity to implement a given CSR project and plan for the activities and participants involved:

1) Name of DFI _______________________________________________________
   Overall CG Rating (from the Governance Scorecard) _______________________
   Overall CSR Level (from the CSR Continuum) ____________________________

2) Locate the DFI in the matrix in Figure 6a. The feasible CG-CSR level pair that the DFI can sustain is: _________________________________________________________

3) Specify the key objectives of the CSR and explain them following this format:

   Figure 6a shows the level of CSR (x axis) and the type of initiative (y axis) conducted by DFIs in the area targeting MSME sector. Similar tables can be constructed for CSR levels and initiatives in other sectors relevant for DFIs.

<table>
<thead>
<tr>
<th>Description of CSR Activities and Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders</td>
</tr>
<tr>
<td>(usually customers, employees, suppliers, customers, employees, suppliers, community and country)</td>
</tr>
<tr>
<td>“Felt Need”</td>
</tr>
<tr>
<td>(effects of business operations in the community)</td>
</tr>
<tr>
<td>Public Good</td>
</tr>
<tr>
<td>(usually enhancements in the company, community or area)</td>
</tr>
<tr>
<td>CSR Project</td>
</tr>
<tr>
<td>(SME development, manpower development and training, conserving energy resources, etc.)</td>
</tr>
<tr>
<td>Corporate Citizen</td>
</tr>
<tr>
<td>(the implementer of the CSR project)</td>
</tr>
</tbody>
</table>
Figure 6b shows the selection of DFIs in different countries that undertook CSR projects in those areas and it can be used as the model to follow for other DFIs. For example, suppose a DFI which is rated as CSR III wants to choose a CSR focus in the area targeting MSME sector. This DFI can select credit guaranty as a CSR project and follow the model of Thailand. If another DFI has CSR rating II and the CSR undertaken by that DFI is focused on the unbanked community then its CSR model will be the one of India. In general, the process should be: first, identify the CSR level of a DFI using the CSR Continuum, then select the SME CSR model that the DFI will follow.

**FIGURE 6B**
MSME Areas of focus for CSR Projects of DFIs

<table>
<thead>
<tr>
<th>Commitment to CSR</th>
<th>CC Stage</th>
<th>MSME of Sectors that are CSRs, of DFI</th>
<th>High Risk High Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR I</td>
<td>Philanthropy and compliance</td>
<td>Vietnam</td>
<td>I</td>
</tr>
<tr>
<td>CSR II</td>
<td>Basic CSR ad hoc with compliance regulator</td>
<td>India</td>
<td>II</td>
</tr>
<tr>
<td>CSR III</td>
<td>Good business, invest, and benefits from CSR</td>
<td>Thailand</td>
<td>III</td>
</tr>
<tr>
<td>CSR IV</td>
<td>CSR Combined with Business Strategy</td>
<td>Malaysia</td>
<td>IV</td>
</tr>
<tr>
<td>CSR V</td>
<td>Mission of the business is to serve society &amp; preserve the environment</td>
<td>Phils</td>
<td>V</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low Risk Low Impact</th>
<th>Governance Support to SMEs</th>
<th>CC Stage</th>
<th>MSME of Sectors that are CSRs, of DFI</th>
<th>High Risk High Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR I</td>
<td>Philanthropy and compliance</td>
<td>Vietnam</td>
<td></td>
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<td></td>
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<tr>
<td>CSR III</td>
<td>Good business, invest, and benefits from CSR</td>
<td>Thailand</td>
<td></td>
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<td>CSR IV</td>
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<td>Malaysia</td>
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<tr>
<td>CSR V</td>
<td>Mission of the business is to serve society &amp; preserve the environment</td>
<td>Phils</td>
<td></td>
<td>V</td>
</tr>
</tbody>
</table>
SME Portfolio of DFIs as an Example of CSR Focus

Figures 6a and 6b summarize possible CSR projects that could be emulated by DFIs around the world. The criteria for selection will depend upon the CSR level and the corporate governance rating score of a given DFI. There are five MSME areas of focus that are possible CSR areas for development financing institutions:

1. Development of a logistic system for many exporters that eliminates payment collection risk. The purpose of a CSR project in this category is to generate business opportunities for SMEs with minimal performance (risk of failure to deliver) and credit risk to the SME. There is a felt need by the SMEs for this type of system. For small companies, a few problems in collections from customers can be a cause for failure of the business.

2. Unbanked community. In many countries, there are very large populations who do not use the banking system. As such they are unable to take advantage of access to financial services that they stand to gain once they join the mainstream of business. A CSR project that benefits the unbanked community is about bringing them basic financial services for small business and household transactions.

3. Credit guaranty to SMEs. Most SMEs are too small to afford formal loans from banks. Commercial banks cannot give loans to SMEs below a minimum amount in order to cover their cost and consider SME lending too risky. A CSR project that guarantees credit extended to SMEs will assure the bank that it will receive a full repayment of the loan.

4. Extensive and specialized services for SMEs to assure the global competitiveness of the country’s products and to connect local SMEs with global supply chains.

5. Wholesale lending to manage the risk of the retail bank giving out SME loans, and to increase the reach of those loans in the SME sector.

Key CSR Principles

When considering how to craft an effective strategic CSR program, it is important to keep in mind several overarching principles to guide program goals and design:

1) Follow your passion.
   - The most effective institutions begin the process of giving by asking what they care about passionately.
   - Get personally involved.
   - There is more to giving than writing a check; roll up your sleeves and work to make a difference.

2) Be strategic about your giving.
   - Focus on specific programs with measurable goals.
   - Articulate them well so as to mobilize the energy, ideas and strengths of your people.

3) Foster teamwork.
   - Cooperate with NGOs and foundations to maximize impact of the CSR effort.
   - Partner with non-profits that demonstrate success.
4) Provide long-term commitment.
   • Most programs are not successful overnight; they require an investment in time, money and resources.

Guidelines for Developing CSR Projects for DFIs

Once a DFI has selected its type of CSR project, the next step is for the board of directors to develop the CSR mission and policy. The following guidelines serve as a CSR project blueprint for DFIs and their boards:

1. **Drafting the CSR mission and policy.** The CSR mission and policy should consider these issues:
   
a. **Identification of “felt needs”** within its area of influence where a CSR project may be most fruitful and justified. Various factors to be considered include:
      • Possibilities for public-private partnerships. CSR programs are more credible if stakeholders from both the public and private sector feel ownership of, and benefit from, the program.
      • Broadening program and project design guidelines. The limits of a CSR project must be defined and specified, otherwise DFI’s involvement can get drawn out, causing confusion. Clear termination dates are essential to add dynamism to the CSR program. They allow for clear judgments as to the effectiveness of the project, as well as for tracking the project’s success in order to address structural problems in the next phase.
      • Methodologies for identifying talent in the community must be specified and the community’s involvement commissioned. The need for specific skills or expertise from the community members must be made clear along with specifying which additional stakeholders should be involved in various phases of a CSR program where different social, environmental and economic issues need to be dealt with.
      • Guidance for the conduct of social and geographically focused research in the direction of these “felt needs.”
      • Financial implications of the CSR program. The project must be prepared to deal with financial problems. A pro-forma budget should be prepared to better understand the financial dimensions of the CSR project.
      • Campaign, communication and presentation methodologies. CSR project planning should include attention to Information, Education and Communication (IEC) components.

b. **Community feedback analysis**
   • Result mapping is an essential part of CSR planning and evaluation. Presumably, the community has been involved in the design of the CSR project and contributed its own input to the plans. At this stage, the community will make an assessment and, in the presence of tangible results of the CSR project, pronounce it as either a success or a failure. Regardless of how this “people’s judgment” turns out, there should be an understanding of the risks of failure of the CSR project when it starts out and an effort to draw lessons learned.
   • Future projections may be necessary to establish the time-bound elements of the CSR project, especially if lasting impact calls for continuing investments in the community to keep it from deteriorating.
• Inter-departmental synergy is needed to streamline CSR initiatives and joint efforts are necessary. Normally, there is a front-end effort that is complemented by an information and education campaign to let the project’s effects manifest itself.

2. **Organization for CSR participation.** A DFI’s CSR program should be located in a separate department manned by experts with interest and dedication to social work, and experience in:
   a. Human resources
   b. Public communications
   c. Social work
   d. Relevant technical areas

The CSR mission/policy should be drafted after a thorough assessment of the environment in which a DFI works. This includes:
   a. Its employees, customers and clients
   b. Their families and neighborhood
   c. The socio-cultural environment
   d. The “felt need” in this environment
   e. Ecological/environments concerns
   f. Prevailing political situation
   g. Points of convergence between CSR mission and vision, and the felt needs of the community.

3. **Effective three-way partnership.** CSR projects work best when organized in a 3-way partnership, with the following actors represented:
   b. Local grass-roots voluntary organizations/NGOs involved in ground-level work. They are experts in social dynamics of a given community and know what works at this grass-roots level.
   c. Conscientious DFIs eager to enrich the society where they work. These DFIs are steeped in the issues of development of MSME and how they are related to social, economic and environmental issues of the area and its people.

4. **Corporate volunteerism as central part of CSR.** Corporate volunteerism should be an integral part of CSR projects. This encourages executives in DFIs to take that extra step to reach out to the community for a hands-on experience.
   a. DFIs can use volunteerism to assess the skills of their employees for other official assignments especially when it comes to dealing with the local community.
   b. Many DFIs may also take volunteerism as an input for the overall assessment of their employees. Thus, an element of incentives can be built into the concept of CSR.

**Social Accounting for Monitoring CSR Projects**

Social accounting is a set of concepts and rules for describing and communicating the social and environmental effects of a DFI’s economic actions to particular sectors. Social accounting addresses the limitations of economic reporting because it attempts to account for the effects on the other facets of sustainable development. Its usefulness is its focus on all key aspects of corporate accountability. Corporations and DFIs alike are accountable for their social performance and the development of appropriate measures and reporting techniques.
Guidelines or standards have been developed to serve as framework for social accounting, auditing and reporting including John Elkington’s triple bottom line reporting, Global Reporting Initiative, and Sustainability Reporting Guidelines. The FTSE Group publishes the FTSE4GoodIndex, an evaluation of CSR performance of companies. In some cases there are legal requirements for social accounting, auditing and reporting. External audit and annual reports now frequently cover sustainable development and CSR issues (“Triple Bottom Line Reports”), but the reports vary widely in format style, and evaluation methodology.

Conclusion

CC and CSR are fairly new concepts that require a continuing commitment from businesses and financial institutions in the long-term to good governance and social responsibility. DFIs, due to their unique mission, have a special responsibility to be good corporate citizens and conduct their operations caring for the 3Ps – profits, people and planet. In order to accomplish that, DFIs need to start with institutionalizing good corporate governance, committing to good corporate citizenship, and then translating their values into concrete CSR programs that are properly tailored to a DFI’s core competencies and capabilities. For the highest impact, CSR programs must go beyond simply being compliant with laws and regulations in areas such as labor or environment; they need to show initiative and voluntary commitment to go beyond the required minimum when it comes to empowering various groups with “felt need” such as SMEs.

DFIs in countries around the world who successfully integrate good corporate citizenship into their mission and vision also have a great potential to lead the whole banking industry in terms of responsible business conduct. Given their mandate, they are in a unique position to show that a financial institution can do good while doing well and provide inspiration for other banks. Furthermore, corporate citizenship in DFIs has an important multiplier effect in that their responsible lending can have on borrowers such as SMEs and the larger institutional environment of a country where they operate. If DFIs are well governed and responsible, these are the qualities they will expect – and elicit – from SMEs they lend to as well as NGOs and government agencies they work with. This manual provides a toolkit to help DFIs to do just that and translates the ideals of good corporate citizenship into the daily business conduct and specific CSR projects, in particular, to join the growing movement for assisting MSMEs as a prime focus of CSR across practically every developing economy in the world.
CORPORATE GOVERNANCE RATING
For Development Finance Institutions

Name of Development Finance Institution: ___________________________

______________________________________________________________

City/Country: __________________________________________________

To the DFI Respondent: As applicable, please rate the following questions on a scale of 1 to 7 with indicated translation or answer with yes or no.

Yes □  No □

1.0 STAKEHOLDERS AND BENEFICIARIES (25%)

1.1 Does the DFI’s Charter and/or Articles of Incorporation identify the stakeholders or beneficiaries of the DFI?

1 2 3 4 5 6 7
Not clearly linked

1.2 Are the DFI’s investments and credit programs closely linked to the development plans for the beneficiaries?

Yes □  No □

1.3 Are the investments and credit programs prepared under the direction of and approved by the board?

Yes □  No □

1.4 Does the supervising government ministry review and comment on the DFI’s strategy, plans and performance on periodic (at least annual) basis?

Yes □  No □

1.5 Does the annual report of the DFI including the Management Discussion & Analysis (MD & A) clearly indicate the impact of its services to its stakeholders and its beneficiaries?

Yes □  No □

1.6 Do the stakeholders and beneficiaries have the right to access information and express their opinion on DFI performance?

Yes □  No □

1.7 Is the DFI explicitly or implicitly expected to earn a reasonable return?

Yes □  No □
2.0 THE BOARD (25%)

A. The Chairman

2.1 Does the Chairman exercise leadership by setting the agenda for the Board meeting? Yes ☐ No ☐

2.2 Does the Chairman encourage and give opportunity for directors to participate actively in board deliberations?

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐

No opportunity Ample opportunity

2.3 Is the Chairman of the Board also the President and CEO of the DFI? Yes ☐ No ☐

Is the appointment of the Chairman and CEO mandated in the DFI’s charter or Articles of Incorporation? Yes ☐ No ☐

2.4 Is the Board largely separate from management, i.e., management reports to the Board and the Board is not involved in decision-making except formatters reserved for it (e.g., large loans and related party transactions) Yes ☐ No ☐

To what degree is the board involved in management of the DFI?

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐

Not involved Highly involved

B. Members of the Board

2.5 Do directors get appointed under a process (“Fit and Proper Test”) that includes a review by authorities of a nominee’s experience, character, motivation and skills? Yes ☐ No ☐

2.6 Is there a separate and more rigorous process used for selecting the Chairman? Yes ☐ No ☐

2.7 Rate the diversity (different experience and disciplines) and skill levels of your board:

a. Diversity

1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐

Similar backgrounds Very different backgrounds
b. Expertise and skills

1  2  3  4  5  6  7
Unskilled
Highly skilled experts

2.8 How many members are there in the DFI Board?________
Of this total number of members, how many are:
a. independent directors __________
b. outside or non-executive directors __________
c. executive directors __________

2.9 Do the directors receive reasonable compensation?

1  2  3  4  5  6  7
Too little Reasonable Too much

C. Meetings of the Board

2.10 Does the board conduct regular meetings of at least quarterly and at most monthly?
Yes  No

2.11 Are the minutes of the meeting duly taken and shows details about the deliberation, particularly positions of directors on key issues?
Yes  No

2.12 How many of the board directors have attendance of (include electronic conference meetings if allowed by authorities):

2.12.1 at least 75% of board meetings last year? _________

2.12.2 Less than 25% of board meetings last year? ________

2.13 How many of your directors concurrently hold directorships in:

2.13.1 more than 10 institutions? __________

2.13.2 5 to 10 institutions? __________

2.13.3 Less than 5 institutions? __________

3.0 COMMITMENT TO CORPORATE GOVERNANCE REFORMS (20%)

3.1 Does your DFI have a written code of corporate governance wherein the beneficiaries, relationship with the government oversight agencies, duties of the board, etc. are specified?
Yes  No
3.2 Is the Chairman of the board specifically responsible for ensuring adherence to the code and the company law?  

3.3 Does your DFI have a written code of ethics that a director signs in to upon appointment as director?  

3.4 Does the DFI have a full-time compliance officer responsible for ensuring compliance with laws and regulations  

   a) Is the compliance officer separate from Internal Audit Department?  

   b) Does the compliance officer report directly to the Audit Committee of the board?  

   • If not, to whom does the compliance officer report?  

   c) Does the compliance officer report the results of the regulatory examination to the board?  

   d) What is the degree of access by the compliance officer to information, whether at management or the board?  

       1 2 3 4 5 6 7  

       No direct access Acceptable access Ample access  

4.0 EXTERNAL AUDIT (15%)  

4.1 Does the DFI have a board audit committee with a written charter?  

4.2 Does the audit committee recommend the selection of independent auditors?  

4.3 Does the audit committee and the board make an annual certification that the financial statements of the company do not contain material misstatements and omissions?  

4.4 Does the DFI have an internationally accredited auditors or one recognized by the government?  

4.5 Are the management reports oriented to the agenda set by the government entity overseeing the DFI?
4.6 Are these management reports reviewed and commented upon by the independent auditors?

4.7 Is the audited annual report of the DFI issued to the public within 3 months from year end?

5.0 DISCLOSURE (15%)
5.1 In addition to regulatory requirements, does the DFI have a written policy on corporate disclosure and transparency especially on factors that could affect the valuation of the DFI, e.g., its CAMEL rating, portfolio composition, mergers, ownership, etc.?

5.2 Does the DFI’s annual report discuss the company’s risk management system and its major risk factors?

5.3 Does the DFI’s annual reports offer meaningful details like portfolio composition, business segment performance, potential liabilities, in conformity with International Financial Reporting Standards etc.

5.4 Are transactions with related parties revealed through an established mechanism, approved by regulators and the central bank (or its equivalent institution)?
### Annex B

**CSR CONTINUUM WORKSHEET**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Where does your organization sit on the CSR Continuum?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approach</td>
</tr>
<tr>
<td></td>
<td>1. Does not view itself as responsible for its social or environmental performance.</td>
</tr>
<tr>
<td></td>
<td>2. No obligation beyond profits.</td>
</tr>
<tr>
<td></td>
<td>3. Adheres to the lowest acceptable or legal standard.</td>
</tr>
<tr>
<td>Pre-CSR</td>
<td>1. Subscribes to basic level of CSR performance as “good business”.</td>
</tr>
<tr>
<td></td>
<td>2. Doesn’t believe business has a responsibility to improve social or environmental conditions.</td>
</tr>
<tr>
<td></td>
<td>3. Manages its liabilities by obeying the law and labour, environmental, health and safety regulations.</td>
</tr>
<tr>
<td></td>
<td>4. Bases decisions on “compliance” considerations – i.e. compliance with norms and laws; what is legally required and charitable?</td>
</tr>
<tr>
<td></td>
<td>5. Takes an ad hoc approach to CSR, typically in response to crisis or vocal stakeholder concerns; focuses on external relations issues.</td>
</tr>
<tr>
<td>Basic CSR</td>
<td>1. CSR is perceived as a strategic business opportunity; identifies areas where CSR can be good for business and invests in those as opportunities.</td>
</tr>
<tr>
<td></td>
<td>2. Moves from defence to offence; realises it can save costs with proactive eco-efficiency and community investment programs.</td>
</tr>
<tr>
<td></td>
<td>3. Business model is not influenced by firm’s CSR objectives.</td>
</tr>
<tr>
<td></td>
<td>4. Bases decisions on traditional benefit/cost analysis: what is financially justified?</td>
</tr>
<tr>
<td>Pro-active CSR</td>
<td>1. CSR is perceived as a strategic business opportunity; identifies areas where CSR can be good for business and invests in those as opportunities.</td>
</tr>
<tr>
<td></td>
<td>2. Moves from defence to offence; realises it can save costs with proactive eco-efficiency and community investment programs.</td>
</tr>
<tr>
<td></td>
<td>3. Business model is not influenced by firm’s CSR objectives.</td>
</tr>
<tr>
<td></td>
<td>4. Bases decisions on traditional benefit/cost analysis: what is financially justified?</td>
</tr>
</tbody>
</table>
## Where does your organization sit on the CSR Continuum?

<table>
<thead>
<tr>
<th>Stage</th>
<th>Approach</th>
<th>Tick</th>
<th>Sample Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated CSR</td>
<td>1. CSR objectives affect business model: CSR institutionalized by embedding CSR policies, procedures and practices throughout operations to ensure integration of sustainability into decision-making.</td>
<td></td>
<td>1. Incorporates CSR into vision, mission, values.</td>
</tr>
<tr>
<td></td>
<td>2. Integrates CSR into key business strategies.</td>
<td></td>
<td>2. Board oversight and CEO management/leadership on CSR.</td>
</tr>
<tr>
<td></td>
<td>3. Anticipates wider consequences of decisions and builds this awareness into decision-making processes.</td>
<td></td>
<td>3. Integrates CSR into performance management systems.</td>
</tr>
<tr>
<td></td>
<td>4. CSR practices used as a strategic differentiator.</td>
<td></td>
<td>4. Makes CSR commitment, develops policy to formalize commitment; creates programs to implement policy; evaluates success and measures progress; involves stakeholders in program development and evaluation; reports on CSR progress.</td>
</tr>
<tr>
<td></td>
<td>5. Bases decisions on emerging global norms of integrity, ethics and justice: what is morally expected?</td>
<td></td>
<td>5. Establishes formal and consistent CSR programs; CSR is integrated into corporate objectives, key business strategies and business plans.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6. Identifies and manages its positive and negative socio-economic and environmental impacts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7. Establishes, and tracks performance against stretch indicators of success; benchmarks performance against other companies and industries.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8. Engages stakeholders in two-way CSR dialogues; involves them in developing strategic business objectives as they relate to CSR goals.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9. Promotes CSR within industry.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10. Marketing efforts focused on reputation management.</td>
</tr>
<tr>
<td>Mission-Driven CSR</td>
<td>1. Mission or purpose of business is to improve conditions in society or the environment.</td>
<td></td>
<td>1. All of integrated CSR practices plus products, services, processes and profits are used to advance sustainability and improve world conditions.</td>
</tr>
<tr>
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<td>3. Creates opportunities for customer and the public to advance sustainability.</td>
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<td>3. Develops partnerships with stakeholders to tackle social and environmental issues.</td>
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<td>4. Initiates public policy dialogue on key CSR issues.</td>
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<td>5. Marketing efforts are focused on social and environmental causes to create awareness, change public and corporate behaviour and move public policy towards greater sustainability.</td>
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</table>
STATEMENT OF MISSION

To advance sustainable development by strengthening the development finance function and institutions, enhancing capacity of members, and advocating development finance innovations.