



Sustainability Methods for Project Appraisal and Management

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Overview of Sustainability Methods applicable to projects

SUST01.0

Many guidelines, manuals, techniques exist that can be applied to appraise, plan, implement and monitor projects and programmes (a few below):

Areas/ Institutions	UN	WB/IFC	EU	Other Int. Org	NGOs/Fo undations	Univers./ Schools	Private firms
Int. Standards				ISO14,000 ISO55,000			
Policies/Guidelines	Global Compact	IFC Sustainab. Policy	EC Env, Social...	ISO26,000	GPM		Equator principles
Handbook/Manuals	GC manuals	IFC Sust. Manuals	Many manuals		SPM Task force		
Tools& Techniques			Program me tools- REDD+		GPM Prism Calculator		SustainAbilit y, PWC Sust. Index, etc.
Training or certification	ILO	Business Edge (IFC)		All national Standard bodies	SPM Training AIA courses	Many , from short to PhD	Many
IT Solutions							Many softwares

Sustainability Appraisal: UN Global Compact

The United Nations 10 Global Compact principles for businesses can be translated to project sustainability topics and indicators (example for Romanian Incubators):


UN Global Compact Principles	Specific Project Sustainability Topic	Description and Indicators	Topic ID for Sustainability Register
1 & 2 Respect of Human Rights and avoid being Complicit of Abuses	Incubators and entrepreneurs will not commit abuses and respect rights	Number of potential abuses identified in human rights	CSR 1.1
3 Freedom of Association of Workers	Entrepreneurs will not cut rights of workers	Number of situations workers rights not respected	CSR 2.1
4 Avoid Compulsory or Forced Labor Conditions	Entrepreneurs will not employ harsh labor practices in hours or HS	Hours worked by workers not compensated	CSR 4.1 CSR 4.2
5 Eliminate Child Labor	No children under 16 employed	Number of suspected minors employed part or full time	CSR 5.1
6 Avoid Discrimination in Employment or Occupation	Apply best practices for gender and minorities	% women entrepreneurs and staff % women minorities in entrepreneurs and staff	CSR 6.1
7 Precautionary Approach to Environment Impacts	Assess all environmental impacts of incubators and entrepreneur activities	Number of firms with environmental policy	CSR 7.1
8 Promote Environmental Responsibility	Train and promote environmental protection	Number of pollution protection measures identified	CSR 8.1
9 Development Environmental-friendly Technologies and Processes (incl. energy)	Development and application of friendly technologies and processes applied	Number of processes and technologies applied at incubators and firms	CSR 9.1
10 Eliminate all Forms of Corruption	No bribes nor corruption in incubator management or entrepreneurs	Number of suspected times bribes or doubtful practices have been observed	CSR 10.1
Other topics: Disadvantaged local groups development	Support local NGOs puppet s for children and woment	Number of evensts with NGOs at incubators	CSR 11.1

**Incubators
Sustainability
Register**

**Entrepreneurs
Sustainability
Register**

Green Project Management (GPM)- UN & ISOs

- US-based foundation with a GPM certification, growing as one of the widespread standards to apply **UN Global Compact** and other sustainability principles applied to project management.
- Its model is called PRISM and the criteria to apply are the 5Ps - as it has five axes from which you select the sustainability criteria to plan and monitor.
- Each of the GPM Categories and Elements is scored and monitored throughout the project cycle; the GPM foundation recommends its own tool (calculator) for monitoring.

 TM P5 Project Integration Matrix				
P5 Integrators		Sustainability Categories	Sub Categories	Elements
Project Sustainability	Objectives and Efforts >>	Economic Sustainability	Return on Investment	Direct financial Benefits Net Present Value
Process Sustainability	Impacts >>			
			Business Agility	Flexibility/ Optionality in the Project Increased business flexibility
Project Sustainability	Objectives and Efforts >>	Environmental Sustainability	Transport	Local Procurement Digital Communication Traveling Transport
Process Sustainability	Impacts >>			
			Energy	Energy Used Emission / Co2 from Energy Used
			Waste	Recycling Disposal Reusability Incorporated energy Waste
Project Sustainability	Objectives and Efforts >>	Social Sustainability	Labor Practices and Decent Work	Employment Labor/ Management Relations Health and Safety Training and Education Organizational Learning Diversity and Equal Opportunity
Process Sustainability	Impacts >>			
			Human Rights	Non-Discrimination Freedom of Association Child Labor Forced and Compulsory Labor
			Society and Customers	Community Support Public Policy/ Compliance Customer Health and Safety Products and Services Labeling Market Communications and Advertising Customer Privacy

Social Performance Management (SPM)

- The **Social Performance Management (SPM)** Task Force (www.sptf.info) is supported by IFC and many other donors for micro and small lending to MSEs.
- They have a model for audit and rating of the Microfinance institutions (MFI), and also for evaluating the sustainability of the projects or MSEs that they finance.
- SPM reviews, trains and gives principles only. For formal audits there are four rating agencies that offer social rating for MFIs: **M-CRIL, Microfinanza Rating, MicroRate, and Planet Rating**. They each use their own standardized rating scale, just like a financial rating. (Example scales: one to five stars; “poor” to “excellent”). Most social ratings examine six areas of social performance:
 1. Socioeconomic Context
 2. Mission, Strategies and Systems
 3. Outreach of Clients
 4. Client Protection and Social Responsibility
 5. Quality of Services
 6. MFI offer mix to microenterprises

SPM Guide

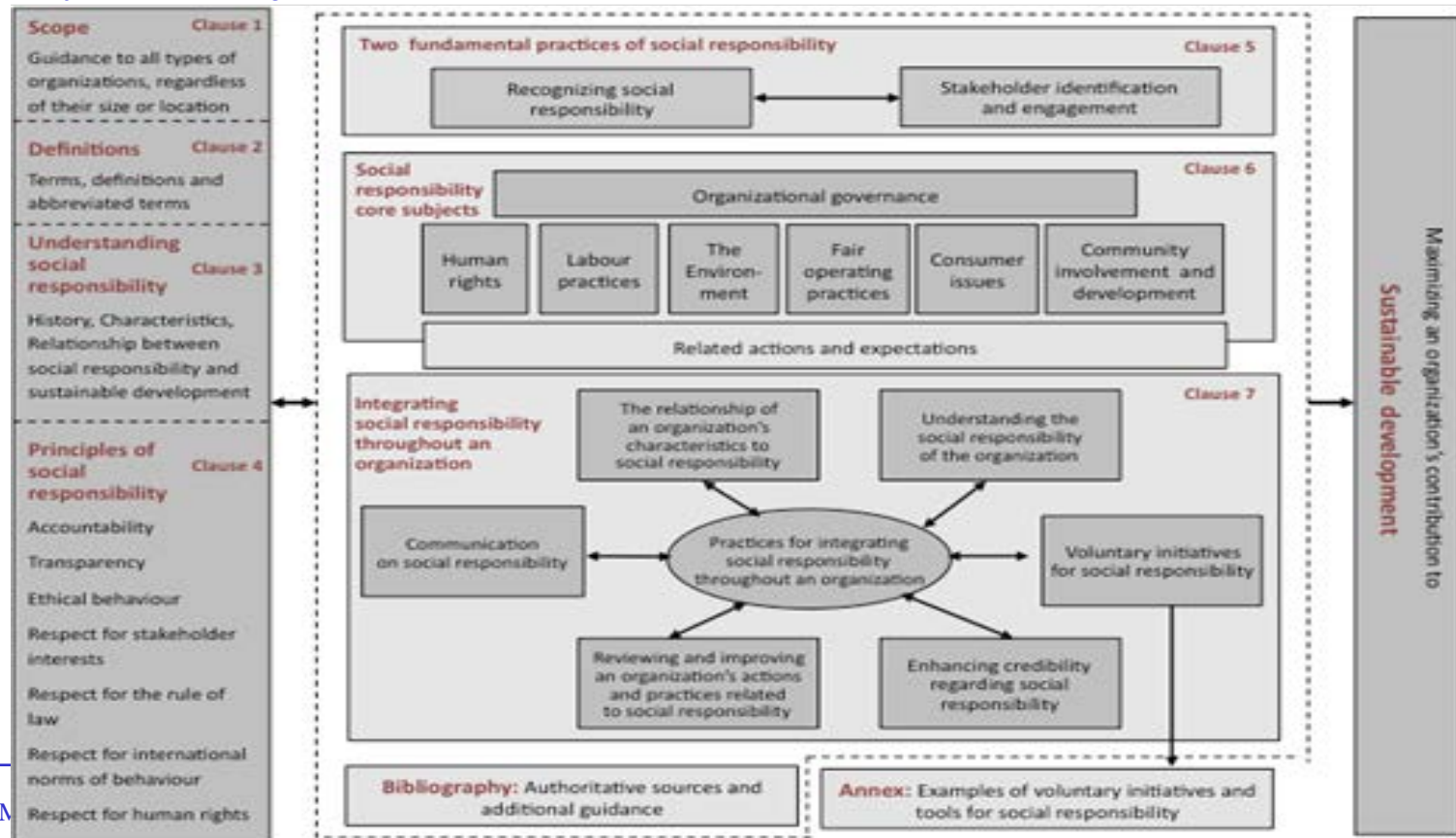
- The SPM Manual (2012) and training establishes 6 areas where financial institutions for MSEs and their clients should design and keep a monitoring and improvement method:
 1. Define and monitor social goals
 2. Ensure board, management, and employee commitment to social goals
 3. Treat clients responsibly
 4. Design products, services, delivery models and channels that meet clients' needs and preferences
 5. Treat employees responsibly
 6. Balance financial and social performance

EU Methods for Social and Environment

- The EU in its Structural funds and EU Aid has many manuals and guides for its projects and subsidies:
 - Eco-Fin Analysis of development projects: for Financial and economic analysis, even if the project has no market prices or traded goods
 - Social Impact analysis- various guides
 - Environmental analysis- large amount of literature and guides
 - Gender mainstreaming and other horizontal issues (indigenous peoples, resettlement, poverty focus, etc.)- manuals for each subject
 - Governance and other issues - Governance and Capacity building manual
- The methods and manuals are too many to treat in this overview, but can be consulted in the European Commission website <http://ec.europa.eu> ; very important are the Manuals of Social and Biodiversity Impact Analysis (SBIA) used within the REDD+ programme of the EU.

ISO standards and manuals

- ISO 14,000: Environmental management systems (can also be applied to longer projects/programmes, as is ISO 9001)
- ISO 55,000: Energy management systems (same)
- ISO 26,000: Guidance on Corporate Social Responsibility (CSR), defines criteria in 7 key Core subjects:



Applying ISOs for programmes (not projects)

- If ISO standards are applied to programmes, rather than projects, they develop (as for ISO9001 at IBIS&Fairshare):
 - Manual with processes,
 - Flowcharts and process fiches
 - Monitoring sheet for indicators and actions follow up
 - Audit checklist and instructions
- ISO 14,000 and 55,000 very similar formats to ISO9001; for 26,000 as it is a Guidance standard (as 21,500 for PM, but PMI provides the details) usually some of the different CSR audit and reporting methods are used (SustainAbility, Global compact reporting, etc.)

“Equator” Principles for project finance

- A financial industry benchmark for determining, assessing and managing social and environmental risk in project financing and appraisal/monitoring <http://www.equator-principles.com>. Endorsed by multilateral banks and large financial institutions (79 to date), they are used for social and environmental assessment/reporting in project financing.
- The 10 principles are:
 - Principle 1: Review and Categorisation
 - Principle 2: Social and Environmental Assessment
 - Principle 3: Applicable Social and Environmental Standards
 - Principle 4: Action Plan and Management System
 - Principle 5: Consultation and Disclosure
 - Principle 6: Grievance Mechanism
 - Principle 7: Independent Review
 - Principle 8: Covenants
 - Principle 9: Independent Monitoring and Reporting
 - Principle 10: EPFI (Equator Principles Financial institutions) project Reporting
- They are normally used in extensive reports with agreements, analyses, and much back up on the projects

IFC Social and Environmental guides

- For Sustainability purposes the IFC (World Bank private investment arm) categorises projects into:
 - **Category A** – Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;
 - **Category B** – Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
 - **Category C** – Projects with minimal or no social or environmental impacts.

IFC Social and Environmental Guides

- For the appraisal and later implementation, the IFC has developed a set of Guidance Notes (<http://www.ifc.org>), each has a Guide for application:
 - Performance Standard 1 - Assessment and Management of Social and Environmental Risks and Impacts
 - Performance Standard 2 - Labor and Working Conditions
 - Performance Standard 3 - Resource Efficiency and Pollution Prevention
 - Performance Standard 4 - Community Health, Safety and Security
 - Performance Standard 5 - Land Acquisition and Involuntary Resettlement
 - Performance Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources
 - Performance Standard 7 - Indigenous Peoples
 - Performance Standard 8 - Cultural Heritage

Choosing the project sustainability methodology

- The project analyst or sponsor should choose the most adequate methods, if its organization does not have a specific method to appraise social/environmental projects.
- UN Global compact based and GPM are probably enough for small and medium projects, while SPM (Social performance management) is more useful for MSE lending and development, but more focus on social not environment-climate change, etc.
- For larger projects or programmes, ISOs, Equator Principles, IFC-WB or EU-based project appraisal methods are probably more suitable, as they are based on the long-term view and/or the international ISO standards.