

Side Event at the Annual Meeting of
World Bank Group and IMF 2009

***Banks for Sustainable
Development: Promoting the
Competitiveness of SMEs
through CSR***

October 6th 2009, 4pm – 6 pm

Hotel Elite World,
Sehit Muhtar Caddesi No 42
Taksim, Istanbul 34435, Turkey

A Side Event by:

Agence Française de Développement

2009 Side Event
Banks for Sustainable
Development: Promoting the Competitiveness of
SMEs through CSR

Executive Summary

In the last ten years, Corporate Social Responsibility (CSR), defined as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”¹ has emerged from a pioneering concept to a cross-cutting conception of business that can no longer be ignored by managers or policy makers. CSR has gained a lion’s share in the academic field, in business education, in the annual reports of blue chips companies and in the offer of consultancy companies. Perhaps more importantly, because CSR can engage business in contributing to a number of social, environmental and economic objectives, it is at the heart of both international actions, such as the United Nations Global Compact initiative, and regional competitiveness strategies as the Lisbon Strategy promoted by the European Union.

In fact, the link between CSR and competitiveness at the micro (i.e. business level) and, more significantly, at the macro (regional or national) level is the subject of ongoing research and debates. At the firm-level, practical evidence increasingly suggests that CSR has a positive effect on key determinants of competitiveness, specifically on the quality of human resources, reputation risk management, cost structure and the capacity to innovate.

Small and Medium Enterprises (SMEs) form the backbone of the economic structure of many emerging countries, often constituting over 90% of the total number of companies and to over two thirds of total jobs. They are a major source of skills and innovation. Furthermore, they provide a key contribution to local development and social cohesion. Arguably, SMEs have always through their local-anchoring been more concerned

with externalities at the local level and closer to what is called as CSR today. However, SMEs are often excluded from the benefits of CSR, a transverse concept often considered as too complex, irrelevant and unpractical for their daily operational problems. Therefore, there is a need for business organizations to act as intermediaries in order to adapt and to promote efficiently CSR to SMEs. The experience of the “Agence Française de Développement” with its partners from the banking industry in Turkey, TEB and HALKBANK, constitutes an innovative and successful attempt to bridge the gap between SMEs and CSR, through the provision of non-financial services (consulting services, awareness campaigns, business orientation, etc.).

Goals

This side event is expected to be a knowledge-sharing event that furthers the understanding on how SMEs can implement CSR into their operations in a more relevant way, providing benefits in terms of competitiveness at the firm level as well as social, environmental and economic benefits to the community. The role of intermediary institutions, specifically of banks as agents to promote CSR to SMEs, will be discussed during the event.

Issues to discuss include:

Lead questions: “How can banks contribute to a more sustainable management of SMEs? In this regard, how can the concept of CSR be made more relevant to SMEs? ”

- How can banks act as intermediary institutions to promote CSR to their SME clients?
- What are the do's and don'ts for a bank willing to engage dialogue with SME's on CSR? What are the long term benefits for a bank to adopting this strategy?
- What kind of services can banks provide to engage their clients on CSR?
- What is the role of Official Development Assistance in promoting these innovative partnerships in emerging countries?

¹ European Commission Definition, 2001

Program

4:00 pm

Welcoming address / Introduction of topic / Facilitator

Mr. Jean-Michel Severino, AFD Chief Executive Officer

Panelists (to be confirmed)

Mr. Baudoin Prot, Chief Executive Officer of BNP Paribas

Mr Hüseyin Aydın, Chief Executive Officer of HALKBANK

Mr. Wolfgang Kroh, Managing Director of KFW

Mr. Philippe de Fontaine Vive, Vice President of the European Investment Bank

M. Roberto Setubal, President and CEO of Itau Unibanco

M. Varol Civil, CEO of Türk Ekonomi Bankasi

5:30 pm

Open Discussion

Conclusions and final remarks

Method

5 to 10 minute introduction followed by panel and open discussions.

Issues for the introduction

- How has CSR evolved over the last ten years? What is the meaning of this evolution in terms of engaging private companies in the provision of global public goods?
- What is the evidence of the positive linkages between CSR and competitiveness both at the firm-and at the macro level?
- Which characteristics of SMEs could limit the adoption of CSR policies? What is the influence of the smallness of resources (financial, human), of economic vulnerability and of the small reputation risk exposure of SMEs on the adoption of CSR strategy?

Issues for the panel discussion

- What are the motivations of banks to engage in a dialogue with SMEs about CSR? What are the demonstrated benefits of such a strategy? What skills do banks need to provide adapted advice to their clients? What partnerships with other business support organisations or existing networks should banks develop to best implement this strategy?
- How can the concept of CSR often perceived as too abstract and too complex be communicated efficiently for SMEs? What are the most relevant approaches to communicate with SMEs about CSR? What should be avoided?
- What are the drivers of CSR for SME's? What is the role of supply chain CSR requirements that larger companies or export markets make on their suppliers?
- What are the observed benefits of CSR for SMEs in terms of competitiveness? Are SMEs able to improve their cost structure through resource and energy efficiency ("eco-efficiency")? To motivate and gain stability on their human resources (talent retention)? To manage their risk and their reputation more importantly ("licence to operate")? What is the impact of CSR on the financial performances of SMEs? How impor-



tant are social and environmental issues in order to gain access to markets?

Participants The side event is expected to draw around 50 key persons from multilateral and bilateral donor institutions as well as commercial financial institutions from both OECD and non-OECD emerging economies.

Products The event's findings will be published on the website of **AFD**, a short article that summarizes the main results of the side event shall be published on the website of AFD.