



FINDING OPTIMAL VALUE

# SHARED VALUE APPRAISAL

# WHY SHARED VALUE?

All companies face business challenges, and all communities face social needs. People usually think of these as separate issues — different problems that demand different solutions.

But sometimes solving a business challenge can also meet a social need.

At IDB Invest, we work with companies to identify that convergence of interests — the sweet spot where business results and social dividends align.

## That's where we can build shared value.

Good companies always want to contribute to the success of the communities where they operate. Such investments tend to be more effective and sustainable when they also make good business sense — when both the community and the company benefit.

## BUSINESS CASE

This is about more than supporting a good cause in the community. By creating shared value, a company not only becomes a better corporate citizen; it also strengthens its core business.

## ALL SECTORS

The concept applies to every country and every sector of the economy — whether agribusiness, logistics, airport operations, hotels, heavy industry or other types of ventures.

## WIN WIN

Our Shared Value Appraisal helps identify targeted investments that will create value for the company and make an impact in the communities where it operates.

# WE BUILD THE BUSINESS CASE. YOU BUILD VALUE.

## WE WOULD LIKE TO HELP YOU ADD ECONOMIC AND SOCIAL VALUE TO YOUR OPERA- TIONS.

This is not a one-size-fits-all approach. We work with our clients to learn about their priorities, understand their specific challenges and explore the best opportunities for smart social investments that make good business sense.

In some cases, a company may already be implementing an effective social initiative on a limited scale. The Shared Value Appraisal can show how to take that to the next level and realize a return on investment.

**WHY US?** Because we know how to help companies succeed and markets thrive. We operate across sectors to provide financing and advisory services that meet the evolving demands of business.

We are committed to strengthening the private sector across Latin America and the Caribbean, working with our clients to achieve financial results and create social and environmental value — in other words, to make a real impact.

**HOW?** The process starts with a Shared Value Appraisal.

Our team will engage with your company to assess whether a shared value approach could help you address some of the challenges you face.

1. SCOPE  
Determine areas where your company's priorities and your community's needs overlap.

2. DESIGN  
Interview key players and do research and analysis to pinpoint ways to enhance shared value.

3. EXECUTION  
Provide a detailed roadmap, recommendations, and a thorough cost-benefit analysis.





BECAUSE SOMETIMES  
THE BEST WAY TO SOLVE  
A BUSINESS CHALLENGE IS  
TO MEET A SOCIAL NEED.

# THE LOGISTICS OF A TRAINED WORKFORCE

Plaza Logística, Argentina



**SECTOR**  
Logistics /  
Corporates



**THE BUSINESS  
CHALLENGE**  
Attracting new  
clients



**THE SOCIAL  
NEED**  
Job placement

## THE BUSINESS CHALLENGE

Getting a product from the factory to the customer used to be a relatively simple task. But in today's globalized environment, the movement of products is its own industry, one that is all about maximum efficiency and on-time delivery. The process requires three strong components—infrastructure, technology and a trained labor force—to avoid bottlenecks, accidents, loss of merchandise and other problems.

Plaza Logística provides the infrastructure part of the equation to clients at three logistics warehouses in the Buenos Aires metropolitan area. Although it is not in the business of providing training, the company saw that a shortage of qualified workers was hampering its own ability to attract clients and holding back the entire logistics industry in Argentina. The challenge: how to expand access to training in a way that made financial sense.

## THE SOCIAL NEED

In the working-class neighborhoods that surround Plaza Logística's industrial parks, good job prospects are few and far between. Women and young people, especially, tend to be at a disadvantage in the labor market.

## THE SHARED VALUE SOLUTION

When our shared value team began working with Plaza Logística, the company had already made the connection between the need for training and the need to be a good neighbor. It had even offered three rounds of courses to disadvantaged students from a nearby community, after partnering with the Argentine Association of Business Logistics (ARLOG) to develop a basic curriculum that included technical and soft skills. A local social services organization had helped to select the students.

The company wanted to expand these efforts, but in a sustainable way. That's where the Shared Value Appraisal came in.

“WE WANT THIS TO BE A PROJECT FOR THE WHOLE SECTOR AS BROAD AS POSSIBLE. WHAT IS ESSENTIAL FOR SUSTAINABILITY IS TO ACHIEVE SCALE.”

Eduardo Bastitta, CEO, Plaza Logística



A market study and cost-benefit analysis showed that Plaza Logística could set up a center in one of its warehouses to offer worker training for a fee to companies across the industry. The funds generated would make it possible to provide some free slots to women or young people who live near the logistics parks and need marketable job skills.

Plaza Logística has now built classrooms, and ARLOG runs the training program. A Plaza Logística client is making part of its fully equipped warehouse space available for hands-on training, in exchange for a portion of the training fees. Between 2017 and 2018, Plaza Logística expected to train more than 500 people, with 15 percent of them on scholarship.

# FERTILE GROUND FOR MUTUAL BENEFIT

Subsole S.A. - Chile



## SECTOR

Agribusiness /  
Corporates



## THE BUSINESS CHALLENGE

High turnover rates



## THE SOCIAL NEED

Access to basic needs

## THE BUSINESS CHALLENGE

Along a 900-mile swath of Chile's farm belt, Subsole, S.A. produces and packages an abundance of table grapes, clementines, kiwis and other fruits for export to the United States, Europe and around the world.

Agriculture has long been an engine of economic development in Chile, but the sector faces a steadily shrinking labor pool as more people move to cities or seek jobs that are more professional or less seasonal. The challenge for Subsole: how to attract and retain a reliable workforce while remaining competitive.

## THE SOCIAL NEED

Chile has a stronger social safety net than many countries, but people in rural areas often lack easy access to services and information. When the company interviewed workers at two of its farms, it found that some didn't know they qualified for certain government programs — such as supplemental cash benefits for low-income working women.

## THE SHARED VALUE SOLUTION

Our Shared Value Appraisal provided a roadmap Subsole could follow to invest in its labor force and reduce turnover, thereby strengthening its bottom line. The company decided to focus its efforts where it had the most control — its own farms. Subsole also buys fruit from small independent producers, and in peak seasons relies on third-party contractors to recruit temporary workers to pick and pack fruit.

The investment is paying off at Agrícola El Retorno, a Subsole farm in the Aconcagua Valley. Some of the benefits workers now receive: Their children can qualify for annual scholarships worth 100,000 pesos (about \$150) to buy school supplies; these are awarded in a ceremony attended by local government officials. Mobile health units periodically come out to the farm to provide routine checkups during working hours. Workers also receive regular training, both in technical areas and soft skills such as how to get along with others.

Subsole hired social worker Hilda Cataldo to spend one day a week at the farm, looking out for employees' well-being. For example, when they were facing water shortages at their homes because of drought, she got local officials to provide them with water tanks. Cataldo said that in the three years since she was hired, she had seen growing solidarity among workers, appreciation for the way they were treated and more commitment to the company. That translates into more people wanting to join the permanent staff. "People are very motivated," she said. "Now we have a waiting list."



“UNDERTAKING A SYSTEMATIC APPROACH OF THE SITUATION  
ALLOWED US TO DESIGN PATHS TO SOLUTIONS THAT ARE  
MUCH MORE SPECIFIC”

Miguel Allamand, President, Subsole

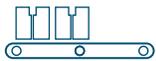
# ADDED VALUE ON AN INDUSTRIAL SCALE

Acería del Ecuador - Adelca  
Ecuador



## SECTOR

Manufacturing /  
Corporates



## THE BUSINESS CHALLENGE

Secure supply chain



## THE SOCIAL NEED

Training and  
entrepreneurship  
growth

## THE BUSINESS CHALLENGE

Acería del Ecuador C.A.—Adelca for short—relies on an endless supply of old stoves, tools, bicycles and other recyclable scrap metal to produce a range of steel products for Ecuador’s construction industry. The most cost - effective source for this raw material is the company’s supply network in Ecuador, especially the small to medium-sized providers that accumulate scrap metal piece by piece, pile by pile, ton by ton.

The challenge for the company: how to strengthen its supply chain and cut its raw material costs by sourcing more scrap metal from these smaller local providers. This became more urgent as Adelca prepared to expand its production capacity by building a second steel plant — a project financed in part with an IDB Invest loan.

## THE SOCIAL NEED

Many of the company’s small scrap suppliers were barely getting by and did not have the storage space, equipment or know-how to be able to grow their businesses and better support their families. Some operated in the informal sector, outside the banking system, and many lacked the basic business and technical skills they needed to succeed.

## THE SHARED VALUE SOLUTION

Our Shared Value Appraisal showed that by helping its smaller suppliers become better entrepreneurs, Adelca could increase the quantity and quality of the scrap it collected.

The company already had a solid foundation in place: a loyalty program called the Recyclers Club, which encouraged smaller providers to sell their scrap metal exclusively to Adelca. New members could earn simple perks, such as T-shirts and protective gear, and build up to more valuable incentives such as financing for buying up scrap metal — a huge benefit in a cash-intensive industry.

The appraisal process looked at how Adelca could scale up this effort effectively, for example by providing business and technical training to its smaller providers and expanding their opportunities to obtain financing. Most significantly, the appraisal determined that by providing these suppliers with equipment—hydraulically operated “roll-on roll-off” containers—Adelca could create a more efficient collection system and make it easier for recyclers to amass iron and steel. This involved a major investment, but a thorough cost-benefit analysis showed that the company could begin to realize a return in just a few years.

Early indications have been positive: From 2015 to 2016, the volume of scrap metal the company sourced from members of the Recyclers Club increased by more than 40 percent—this at a time when the overall supply in Ecuador was down, due to a drop in international scrap metal prices.

Adelca has also teamed up with the Foundation for Sustainable Development in Latin America (FUNDES), which specializes in supporting small businesses, to provide training to its small suppliers. The course offered classes in topics such as business management, rules and regulations, accounting and occupational health and safety.

Orlando Medina, who owns a small scrapyards in Cayambe, northeast of Quito, had to drive six hours, round trip, to take the course, but he said it was well worth the sacrifice. For example, he learned how to keep better records and how to classify and sort the scrap for Adelca, to get better prices. Based on what he learned, he was also able to complete the paperwork for an environmental permit he needed to do business with larger companies — which means he can now buy up scrap metal in larger quantities.



“WITH EFFORT,  
YOU CAN DO  
ANYTHING.”

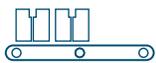
Orlando Medina,  
51 Years Old

# A HOSPITABLE ENVIRONMENT FOR SHARED VALUE

Courtyard by Marriott /  
Caribe Hospitality, Jamaica



**SECTOR**  
Tourism /  
Corporates



**THE BUSINESS CHALLENGE**  
Local value chain



**THE SOCIAL NEED**

Semi-skilled jobs and  
entrepreneurship  
growth

## THE BUSINESS CHALLENGE

To the weary traveler, a hotel's value may seem as transitory as a good night's sleep. To the surrounding community, however, a hotel can produce real, lasting benefits.

In Kingston, Jamaica, the construction of a Courtyard by Marriott — a hotel geared primarily toward business travelers, which opened in late 2015 — provided an opportunity to examine potential economic and social returns through the lens of shared value.

During the Shared Value Appraisal, the IDB Invest engaged with a large cast of players that included the hotel's developer and owner (Costa Rica-based Caribe Hospitality), its operator (Marriott International) and the Jamaican contractor handling the construction (Prime Development), as well as several public agencies and nongovernmental organizations. The broad goal: how to optimize local impact in a way that also benefited the hotel's owners and operators—and that therefore could be sustained.

## THE SOCIAL NEED

The casual visitor may think of Jamaica as all sun and fun, but the country has high rates of poverty and unemployment. Tourism is a mainstay of the economy, but its local roots don't

always run very deep; in fact, some resorts operate almost as economic islands, flying in most of their supplies from the United States. The challenge with this project was to incorporate local vendors into the supply chain—especially small, women-owned businesses—and open doors of opportunity to urban youth.

## THE SHARED VALUE SOLUTION



The construction site was the logical place to start. Even though construction was already underway when the appraisal process began, the contractor agreed to take on five young men as interns, and Caribe Hospitality covered their stipends. The men had already gone through training and had the skills and certifications they needed to be productive members of a crew, and with their experience working on the large new building, they went on to full-time employment.

Beyond the scope of the Shared Value Appraisal, the Courtyard Kingston later implemented a paid internship program that enabled at-risk youth to work in different areas of the hotel and develop new job skills.

A second component of the IDB Invest appraisal process was to provide training so that small local vendors could be included in the hotel's supply chain. As one Marriott executive put it, "When you plant a flag somewhere, you start becoming a catalyst for business."

“AS MUCH AS  
POSSIBLE, WE  
TRY TO BUY  
JAMAICAN FOR  
THE HOTEL,”

explained the Courtyard's  
General Manager,  
Lee-Ann Godfrey, who is  
Jamaican herself.

The Courtyard's efforts to seek out and cultivate local, female-led businesses as suppliers have paid off. As of early 2017, these types of companies were making employee uniforms, handling special cleaning tasks, whipping up desserts and supplying fresh fruits and vegetables. "As much as possible, we try to buy Jamaican for the hotel," explained the hotel's general manager, Lee-Ann Godfrey, who is Jamaican herself.

The benefits to the small businesses are clear, but the hotel also benefits, she said, by having fresh produce on hand and personalized service. It even helps to buy a uniform locally, according to Godfrey. "It's a better fit, because it's made to order."

# SHARED VALUE TAKES OFF IN ECUADOR

Corporación Quiport, S.A.,  
Ecuador



## SECTOR

Transportation /  
Infraestructure



## THE BUSINESS CHALLENGE

Community  
engagement



## THE SOCIAL NEED

Training and  
entrepreneurship  
growth

## THE BUSINESS CHALLENGE

Airport operators derive some of their income from the planes that land and take off every day; however, non-aeronautical revenues—duty-free shops, restaurants and advertising spaces, to name a few—are another important source of profit. The goal for all airports: how to increase such revenues while keeping operating costs low.

For Corporación Quiport, S.A., the private consortium that runs Quito's Mariscal Sucre International Airport, one way to increase revenues would be to attract new vendors. Another would be to improve employee training throughout the airport; after all, the better the customer service, the more money passengers will spend in the terminal. One way to cut operational costs, meanwhile, would be to better manage the mountains of waste produced at the airport.

## THE SOCIAL NEED

The airport, which opened in 2013, was built from scratch in a primarily agricultural area outside Ecuador's capital. The challenge was how small farmers and others in the surrounding communities could benefit from the airport's presence and improve their own economic situation.

## THE SHARED VALUE SOLUTION

Quiport had undertaken some community outreach initiatives from the beginning, and it was clear that these initial efforts should be expanded. For example, Quiport had started a small program—“Nuestra Huerta” (“Our Farm”)—to give local producers the chance to sell fruits, vegetables and items such as bread, jam and honey to the 100 or so employees who work directly for Quiport. The Shared Value Appraisal showed that with some initial business support from Quiport, this effort could be scaled up so that more producers could participate and could reach a larger customer base—starting with the 7,500 employees who work throughout the airport. As of early 2017, producers were selling 36 different items under the Nuestra Huerta brand. With help from Quiport, the local enterprise was soon expected to be renting its own shop in the airport, paying a modest monthly fee to Quiport.



Waste management provided another opportunity to create a local enterprise—and at the same time cut costs for Quiport and the 120-plus other businesses inside the airport that generate plastic bottles, cardboard containers and other recyclables. The plan is to set up a recycling center on airport grounds, to be run by a for-profit community business Quiport has been helping to organize. Instead of paying a Quito-based company to haul the waste to a faraway location, airport businesses will pay less to have the recycling done on the premises.

Quiport also plans to open a training center at the airport—in conjunction with a public university—to offer low-cost courses in such areas as conversational English, computer skills and occupational health and safety training. The idea is that the center will improve customer service at the airport, give airport businesses a better prepared pool of potential employees and help people in nearby areas gain access to job skills without having to travel to Quito.

Based on the success of the Quiport project, IDB Invest has been working to replicate part of the experience at another airport in the region—the Juan Santamaría International Airport in San José, Costa Rica.

“WE KNEW THAT IT WASN’T JUST ABOUT BUILDING THIS AIRPORT AND GETTING IT OPERATIONAL. IT WAS ABOUT DEVELOPING IMMEDIATE, MEANINGFUL, LONG-TERM RELATIONSHIPS WITH THE IMPACTED COMMUNITIES.”

Andrew O’Brian, President and CEO, Corporación Quiport

# DEVELOPING VALUE ACROSS THE AMERICAS

IDB Invest has implemented Shared Value Appraisals for all sorts of companies across the Americas. We help them develop creative solutions to challenges and identify ways to add value both to their own business and to the communities where they operate.

In Costa Rica, we worked with Aeris Holding Costa Rica — the company that operates the biggest international airport in Costa Rica — to identify ways to tackle an environmental and operational safety concern: nearby meat processing plants, which produce organic waste and attract large scavenger birds which translate in risk for airport operations. AERIS is helping these processors obtain the necessary technology and financing so they can install biodigester systems to handle their waste.

That's good for the health of the community, good for airport safety, the environment and good for the processing plants, which can capture and use the gases produced in the biodigestion process in different ways in their own processing plant (disinfecting and cleaning floors and walls, heating and cooking food, among others). As of early 2017, AERIS also hoped to set up a community enterprise to recycle airport trash, similar to the one in the works at the Quito airport.





In Peru, a private university —Universidad San Ignacio de Loyola (USIL)— wanted to tap into the new market of the country’s emerging middle class by attracting students who would be the first in their families to pursue higher education. The Shared Value Appraisal found that the university could benefit by setting up a loan guarantee fund. The idea was that reluctant lenders would be more likely to offer student loans if they had less risk. USIL would expand its pool of potential students, and it would be motivated to help them succeed so they could graduate, find good jobs and eventually pay back their loans.

In Ecuador, a company that manufactures large rolls of denim cloth set out to develop local expertise in making blue jeans. Based on the results of a Shared Value Appraisal, Vicunha Ecuador S.A. began by helping a small association of local seamstresses get the training they needed to work with this type of heavy cloth. The seamstresses would be awarded a contract to make uniforms for Vicunha employees; this in turn would help the association secure a bank loan to buy new equipment. For Vicunha, this was a chance to contribute to local development while still focusing on its core business — selling cloth.

ASK US ABOUT HOW  
IDB INVEST CAN HELP  
YOU ADD VALUE TO  
YOUR BUSINESS AND  
THE COMMUNITY.



WE BUILD  
THE BUSINESS CASE.  
YOU BUILD VALUE.  
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