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The Corporate Social Responsibility System in Latin America and the Caribbean

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Executive Summary

This paper advances our understanding of the existing system of corporate social responsibility (CSR) promotion and advocacy in Latin America and the Caribbean. It begins by contextualizing the relative importance of, and commitment to, corporate social responsibility in the Americas through a cross-national comparison of levels of CSR activity. The paper then elaborates a model, “The CSR System” which theorizes the key relationships and influences on the development of the CSR culture in the region. It defines the major actors working to promote CSR in the hemisphere as multilateral organizations, governments, private firms, private foreign foundations, educational institutions and civil society organizations. The CSR System model shows that considerable impetus behind the promotion of CSR in the region comes from outside Latin America. By understanding how the system of CSR promotion and advocacy works, it is possible to identify the pressure points where the CSR agenda can be best moved forward. The paper advocates strengthening the watchdog capacity of independent non-governmental organizations (NGOs), in order to work towards a CSR system that not only promotes corporate social responsibility, but also engenders business compliance with its CSR obligations.

Résumé

Le présent travail expose nos idées sur la promotion du concept de la responsabilité sociale des entreprises (RSE) qui existe actuellement en Amérique latine et dans les Caraïbes. D'entrée de jeu, ce document établit l'importance relative du contexte de, et de l'engagement pour, la responsabilité sociale des entreprises dans les Amériques par une comparaison transnationale des niveaux d'activités de la RSE. Ensuite, il élabore un modèle, le « Système de RSE », qui théorise les principaux rapports et influences sur le développement d'une culture de RSE dans la région. Il établit les principaux acteurs travaillant à favoriser l'essor de la RSE dans l'hémisphère, à savoir : les organisations multilatérales, les gouvernements, le secteur privé, les fondations étrangères privées, les établissements d'éducation et les organismes appartenant à la société civile. Le modèle du système de RSE démontre que l'impulsion considérable derrière sa promotion trouve principalement son origine à l'extérieur de la région de l'Amérique latine. En comprenant comment ce système fonctionne, il devient alors possible d'identifier les points de pression susceptibles de faire avancer davantage l'agenda politique de la RSE. Ce document préconise un renforcement de la capacité de « chien de garde » des organisations non gouvernementales et indépendantes (ONG) afin de travailler à l'établissement d'un système de RSE qui favorise non seulement la responsabilité, mais engendre également la conformité du monde des affaires avec ses obligations liées à la RSE.



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Resumen

El presente trabajo expone nuestras ideas acerca de la promoción y fomento del sistema de responsabilidad social empresarial (RSE) que existe actualmente en América Latina y el Caribe. Primeramente se ilustra la importancia relativa y el compromiso que ha generado el tema en las Américas, mediante una comparación del quehacer sobre este tema en diferentes países. Asimismo, se presenta un esquema denominado “*Sistema de RSE*” en el que se trazan las principales relaciones e influjos que se consideran parte del desarrollo de una cultura de responsabilidad empresarial en la región. Además, se definen los protagonistas principales de la promoción de la RSE en todo el hemisferio; a saber, organizaciones multilaterales, gobiernos, firmas privadas, fundaciones extranjeras privadas, entidades educacionales, y organizaciones de la sociedad civil. Se observa igualmente que gran parte de los esfuerzos a favor de la promoción de este Sistema de RSE en América Latina viene de afuera. Una vez que comprendamos mejor como funciona el sistema de promoción y apoyo a la RSE, podremos determinar donde mejor hacer presión para fomentar el interés en la RSE. Este trabajo aboga por el fortalecimiento de la capacidad fiscalizadora de las organizaciones no gubernamentales en aras de lograr un sistema que no solo promueva la responsabilidad social empresarial sino que también propicie el acatamiento por parte de las empresas de sus responsabilidades.

INTRODUCTION

Much of the corporate social responsibility (CSR) debate focuses on individual firm case studies, best practices, and philosophical and moral arguments intended to encourage the adoption of CSR codes by companies. This debate originates in the rich countries of the world, but has increasingly found advocates and resonance in the developing world.

The normative and case-study driven nature of this debate has tended to overwhelm empirical and aggregated research into the effects of CSR, and obscure questions about the appropriateness of encouraging companies to adopt CSR codes in developing countries, or using scarce foreign aid funds for CSR promotion.

This paper advances our understanding of the existing system of CSR promotion and advocacy in Latin America and the Caribbean. It begins by contextualizing the relative importance of, and commitment to, corporate social responsibility in the Americas through a cross-national comparison of levels of CSR activity. The paper then elaborates a model, “The CSR System” which theorizes the key relationships and influences on the development of the CSR culture in the region. It defines the major actors working to promote CSR in the hemisphere as multilateral organizations, governments, private firms, private foreign foundations, educational institutions, and civil society organizations. By understanding how the system of CSR promotion and advocacy works, it is possible to identify the pressure points where the CSR agenda can be best moved forward.

HOW IMPORTANT IS CSR IN THE AMERICAS?

One question that is rarely asked, and even less frequently answered is, “how important are CSR principles in the Americas?” In order to try and answer it, this paper extends a 2002 study by Susan Aaronson and James Reeves, published by the National Policy Association (2002), to Latin America. Aaronson and Reeves assessed the “levels of activity” of CSR in North America and selected European countries according to three axes: the private sector; involvement of government; and public awareness.

In a variation on this approach, selected countries of the Americas were compared along the same categories (using the Canadian ranking from Aaronson and Reeves as the baseline). This comparison was based on “levels of activity” apparent through Internet searches and therefore suffers from the usual methodological limitations of web-based research. Nonetheless, since most multinational enterprises (MNEs), civil society and non-governmental organizations (CSO & NGOs), and governments have a web presence in Latin America, and the study used the same search terms across different countries, some general conclusions can be drawn.

A number of indicators of CSR activity in each category were used to get a “picture” of the state of the art. Using these indicators, in the “baseline” case of Canada a very significant degree of CSR activity was revealed. An Internet search for “CSR and Canada” yielded 917 “hits.” An analysis of the first 50 hits revealed significant CSR activity in most categories. In the private sector there were firms with CSR codes,

Table 1: Indicators for CSR Study

Private Sector	Government	Public Awareness
Independent Organizations	Government Departments	Newspaper Citations
Industry Associations	Publicly-Owned Firms	National NGOs (non-business)
Companies with CSR Codes	Programmes with Foreign Governments or Multilaterals	Subsidiaries of International NGOs
CSR Consultants		University/ College activities

Method: An Internet search was conducted with the “Altavista” search engine using the terms “corporate social responsibility” (or the Spanish equivalent) and the country, limited by the country domain. The first fifty “hits” were categorized according to the indicators listed above.

independent organizations funded by business promoting CSR as well as activities by industry associations (due to the similar activities of these business and industry NGOs they will be labelled in this paper as “B/INGOs”). The government commitment was also deep, with 5 different federal departments cited in the first 50 hits: the Canadian International Development Agency, Department of Foreign Affairs, Export Development Canada; Industry Canada; and Agriculture Canada. Public awareness was also significant with media citations, NGO activities, and educational programming.

So how does the rest of the Americas compare?

In general we can say that there is a huge gap between the most developed countries of the Americas (Canada and the US) and the rest of the region. As deep as this gap is, a similar gap exists between the most advanced developing countries of the region and the rest. Overall, it is possible to say that there are four different levels of CSR activity in the Americas, in declining order of activity:

- Running (Canada and US);
- Catching-up (most developed Latin American countries, such as Argentina, Chile and Mexico);
- Walking (rest of South America), and;
- Stalled (Central America and the Caribbean).

In the most industrialized of the Latin American economies, Argentina, Chile, Mexico, (Brazil and Uruguay could probably be included in this list, but were not examined in the study) we see some important CSR activity. It is worth emphasizing the huge

drop that occurs when this level is compared to that of Canada. For example while Canada generated 917 search “hits”, it was 140 in Argentina, 105 in Chile, and 63 in Mexico. This constitutes a seven to fourteen-fold drop over the Canadian level.

There is a huge gap between CSR activity in Canada and the US and the rest of the Americas... as deep as this gap is, a similar gap exists between the most advanced developing countries of the region and the rest.

In these countries there is significant private sector CSR activity – including by private companies, but of special importance are industry associations and independent organizations or clubs of business professionals (B/INGOs). We also see a relatively vibrant public awareness – as reflected by media citations (often in business magazines), NGO participation, and university programming. There is one important distinction between Mexico and the others – that is the importance of business school programmes in the public awareness category. It may be hypothesized that this is due to Mexico’s deeper integration into North American business practices and business training norms as a result of the North American Free Trade Agreement (NAFTA). These countries also have National Contact Points (NCPs) charged with promoting the Organization for Economic Cooperation and Development’s (OECD) *Guidelines for Multinational Enterprises*, and in Mexico in particular, there are a number of different government bureaucracies and programmes promoting CSR (mostly within development and planning ministries).

When compared to the rest of South America (Bolivia, Colombia, Paraguay, Peru, Venezuela), there is another enormous drop in overall CSR activity. Search “hits” fell to the range of 7-21, with Colombia scoring the highest at 21. In these countries we see

low private sector participation, and low government involvement. However, within the “government promotion” indicators, we see increasing involvement of multilateral organizations, especially the United Nations Development Programme (UNDP), which has been promoting the Global Compact in the region. Public awareness is still important, but is largely confined to some NGOs working on promoting CSR and the existence of some university or college programmes that include courses or sections of courses on CSR.

In Central America and the Caribbean (Cuba, Dominican Republic, Jamaica, Trinidad, Costa Rica and Nicaragua) we see very low levels of CSR activity reflected on the Internet – just 1 or 2 search “hits.” This is somewhat surprising considering the relatively high-income levels of these countries (at least in the Caribbean) and the numerous foreign firms that

cater to Northern consumers in the tourism industry. Here there is minimal government involvement (sometimes with foreign governments such as the ENACT environment programme in Jamaica sponsored by the Canadian government). Private sector involvement was only apparent in Trinidad and Costa Rica thanks to the work of industry associations. It is worth noting that the level of activity may have been higher had El Salvador and Panama been included in the sample, both of which have B/INGOs working to promote CSR.

In this respect, 3 overall trends can be identified in the Americas:

- Private sector activity is relatively weak, and much of the work being done to promote CSR is conducted by industry associations or independent business and professional associations (B/INGOs).

**Table 2: Corporate Citizenship in the Americas
Levels of Activity in Selected Countries**

Country	Private Sector Participation	Government Advocacy & Promotion	General Public Awareness
Caribbean			
Cuba	None	None	None-Low
Dominican Republic	None	None	None-Low
Jamaica	None	None-Low	None
Trinidad & Tobago	None-Low	None-Low	None
Central America			
Costa Rica	None-Low	None	None-Low
Nicaragua	None	None	None-Low
North America			
Canada	Medium-High*	High*	Medium*
Mexico	Medium	Medium	Low-Medium
United States	Medium*	Low-Medium*	Low-Medium*
South America			
Argentina	Low-Medium	None-Low	Medium
Bolivia	None-Low	None	None-Low
Chile	Medium	Low	Medium
Colombia	None-Low	None-Low	Low
Peru	None	None	Low
Venezuela	None	None-Low	None-Low

Source: compiled by author as result of Internet research conducted in October 2003, based on methodology used by Aaronson and Reeves, 2002.

Note: * classification according to Aaronson and Reeves.

- Government involvement and promotion is also relatively weak and not integrated into the whole of government policy (less so in the more advanced economies with NCPs). The role of international organizations such as the UNDP is particularly interesting as it has been active in signing up companies to the UN Global Compact in Argentina, Chile, Colombia and Venezuela.
- Public awareness across the region leads the other categories. Media coverage is fairly widespread (especially in business reviews) in the more industrialized economies. CSR courses or units are included into business school programming (probably reflecting the North Americanization of business schools across the hemisphere – a phenomenon which is particularly strong in Mexico). Independent NGOs working to advance the CSR agenda also exist, but are less numerous and active than business-friendly B/INGOs.

pressures, incentives, and advocacy that involves many other actors. This is particularly true in Latin America and the Caribbean, where pressures and incentives often originate from outside the country in which the firm has its operations.

The set of actors playing a role within the “CSR System” of promotion and advocacy include domestic actors such as the firm, the state, local business and industry CSOs (labelled B/INGOs), local independent NGOs, academic institutions, and organized labour; as well as foreign actors such as the foreign firms to which the local firm is linked (through sales, contracts, inputs, or ownership), foreign governments, private foundations from developed countries, international NGOs, and multilateral organizations.

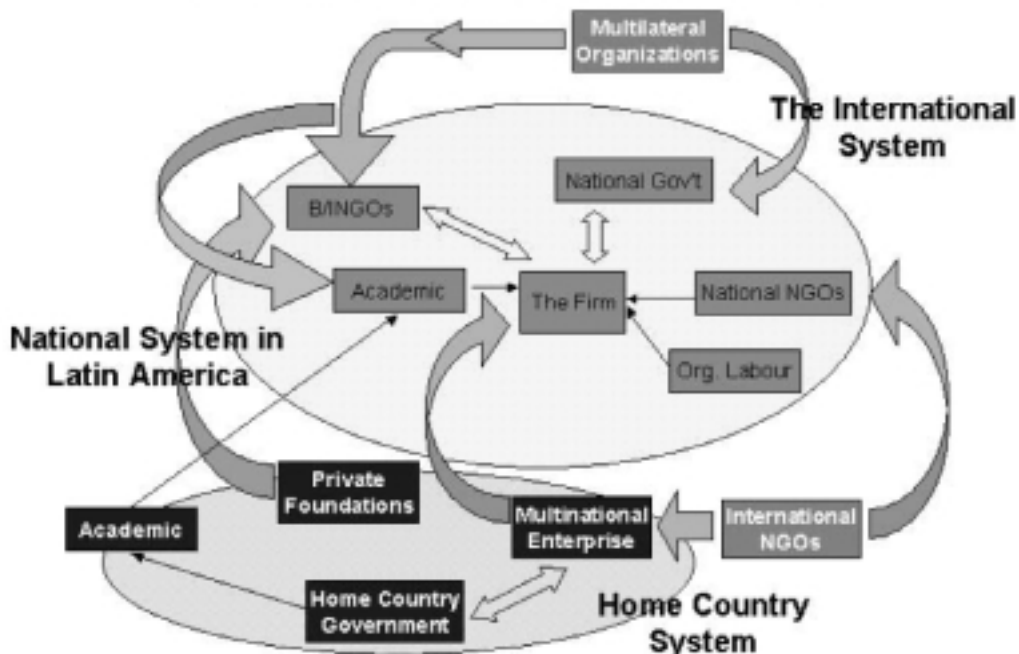
Businesses that choose to adopt and implement CSR codes are in the centre of a system of pressures, incentives, and advocacy that involves many other actors.

The system of CSR promotion and advocacy is therefore a set of interactions that occur between three different “systems”, the national system (where the firm is located), the home country system (if the firm has links to foreign or multinational enterprises), and the international system. Figure 1 represents the key relationships between actors in these systems in terms of arrows which show both the hypothesized direction of influence and its importance (with larger arrows denoting greater influence).

THE CSR SYSTEM

Although corporate social responsibility is often portrayed as a voluntary initiative of business acting alone to be good corporate citizens, the reality is that the private businesses that choose to adopt and implement CSR codes are in the centre of a system of

Figure 1: The CSR System in Latin America



Within the CSR system, there are some relationships that should be emphasized as being particularly important. The three-way relationship between the firm, state and business-industry NGOs (B/INGOs) is at the core of the seriousness with which CSR policies are adopted by firms. But, this three-way relationship is potentially powerfully influenced from outside the country. On the one hand, the state is tied into international agreements, and in cases where the state is an actual (as is the case with Mexico) or aspiring member of the OECD (as is the case with Argentina, Brazil and Chile), it will take on obligations to promote the OECD's *Guidelines for Multinational Enterprises* through the formation of a National Contact Point within its own bureaucracy.

B/INGOs are also powerful mediators of outside influence, to the extent that their corporate social responsibility promotion programmes are often funded by private foundations (mostly located abroad) or through funding arrangements with bilateral donor countries or multilateral organizations such as the Inter-American Development Bank. Firms themselves may also be influenced by the ties they have with foreign multinational enterprises – in the case of subsidiaries, they are often expected to follow the lead of the corporate head office. However, even when local firms have a more arm's length relationships with foreign multinationals (as subcontractors or through technology licencing agreements) the corporate social responsibility codes of multinational enterprises (MNEs) may extend to supply chains, and therefore require that local partners meet certain CSR requirements. International NGOs can also play an important role by pressuring MNEs in the home country (through consumer or share-holder oriented "name-and-shame campaigns") and through technical and financial support to local NGOs trying to win concessions from the local subsidiaries of multinational enterprises.

The point that distinguishes the way the CSR System works in Latin America from the developed countries, is the influence of international actors on the national system – particularly private foundations, multilateral development agencies, the head offices of multinational enterprises, and international NGOs.

The point that distinguishes the way the CSR System works in Latin America from the developed countries, is the influence of international actors...

GOVERNMENT AND MULTILATERAL ADVOCACY: PUSHING THE ENVELOPE (OR IS IT THE CHEQUE?)

Institutionally, there are big league players at the national, regional and multilateral levels behind the promotion of CSR in Latin America. At the national level, the OECD countries of the hemisphere (Canada, Mexico and the United States) as well as aspiring club members Argentina, Brazil, and Chile, have undertaken a commitment to create National Contact Points (NCPs) charged with promoting nationally the OECD's *Guidelines for Multinational Enterprises* – the organization's key instrument defining the responsibilities of the good corporate citizen. At the regional level, the Summit of the Americas process lends its weight to the promotion of CSR by identifying it as a "priority" in the Québec Summit Plan of Action, and for which the OAS and IDB are implementing entities. At the multilateral level, the World Bank and United Nations also work to promote CSR with the latter organization mostly devoted to publicizing the Secretary General's Global Compact.

The OECD and National Contact Points

The OECD National Contact Points (NCPs) are an important national institutional anchor for the promotion of corporate social responsibility in the hemisphere. OECD Member-states, through the NCP, have committed to promote the voluntary adoption of the *Guidelines* by national companies.

National Contact Points, although perhaps the key institutional buttress behind CSR promotion, remain relatively isolated within government bureaucracies, with little manpower and few resources for outreach, dialogue with corporations, and promotion. NCPs engaged in promotional activities such as organizing conferences (Chile), publishing new promotional material (Canada and Mexico), working with NGOs (Chile), organizing information sessions and links with government departments (Canada and United States), and clarified their procedures for addressing complaints (known as "specific instances"). The number of "specific instances" received by the NCPs of the Americas since 2000 reveals the relatively low profile of the office with none of the Latin American NCPs reporting more than one specific instance in a three-year period (OECD, 2003 Annual Meeting: 9). Even in the more

developed countries such as Canada and the United States, the *Guidelines* are “promoted” by export financing agencies, but meeting these standards is not required prior to receiving government funds (OECD, 2003 Annual Meeting, 6-7).

But information by or about the work of the NCPs in the Americas is difficult to find. The OECD does not provide easily-accessed contact or website information for its network of NCPs. The website of the US NCP provided little information about its activities, and only the Canadian NCP made its Annual Report public. Websites for the Latin American NCPs could not be found.

The Inter-American System: Role of the OAS and IDB

The centrepiece of the multilateral effort to promote corporate social responsibility in the Americas was the Americas Conference on Corporate Social Responsibility. The conference represented the fulfillment of a pledge made in the 2001 Québec Summit of the Americas Plan of Action to:

- Continue to analyze corporate social responsibility through the OAS and encourage civil society input in the process; and
- Convene a meeting with representatives of government, business and civil society with the purpose of promoting the development and implementation of corporate social responsibility (Québec Summit Action Plan, 2001: 16).

While the first CSR conference in Miami took place under the auspices of the OAS and with the support of the Canadian government, the second, held in Panama City in October 2003, was organized by the other implementing agency of the Summit, the Inter-American Development Bank. The Panama conference, was explicitly concerned with making the “business case” for CSR (CSR as a tool for competitiveness)—convincing business that CSR is profitable.

The OAS worked to fulfil its Summit mandate on CSR by supporting the 1st Annual Americas Conference on CSR in Miami, but also through the work of the Inter-American Agency for Cooperation and Development (IACD) and its subsidiary non-profit agency, the Trust for the Americas. IACD prepared a programme to

promote CSR in the hemisphere with a number of regional and national CSOs working on the subject – which was submitted for funding to the Multilateral Investment Fund of the IDB. The Trust has also created promotional materials, organized conferences and trained journalists in combating corruption, as well as worked to form public-private sector partnerships in Colombia and Mexico, which encourage businesses to contribute to solving social problems (OAS, April 2003).

The centrepiece of the multilateral effort to promote corporate social responsibility in the Americas was the Americas Conference on Corporate Social Responsibility... a Québec Summit of the Americas Action Plan obligation.

The IDB, as one of the implementing agencies of the Summit of the Americas, has also begun to show some interest in the promotion of corporate social responsibility. It was a cosponsor of the 2002 Miami Americas Conference, and organized the successive meeting in the series in Panama City in 2003. The activities of the IDB in promotion of CSR fall into the broad categories of its efforts in Private Sector Development, and it has commissioned research papers on the state of CSR in the hemisphere. Between 1994 and 2003, the Multilateral

Investment Fund (MIF), of the IDB, intended to fund innovative private sector projects, funded 10 small projects under the category “sustainable markets and CSR” (IDB, 2003). Only two of those projects, however, both approved in 2003, can be identified as exclusively targeted at promoting CSR – both are located in Chile, one with the regional CSR network coordinator *Acción Empresarial*, and the other with the Catholic University of Valparaiso. The other projects in this MIF category are really about the development of sustainable small businesses rather than CSR itself.

Global Governance and CSR: The World Bank and the United Nations

The World Bank has, through the World Bank Institute, created a set of learning materials and an interactive web forum, which serves as an information clearinghouse for those interested in learning about CSR or adopting CSR practices within their companies.

Likewise the United Nations, particularly the UN Development Programme (UNDP) and UN Volunteers, have been active in Latin America promoting the Secretary General’s Global Compact – a

list of CSR-style commitments to which corporations can adhere. The Global Compact has been described as an attempt by the Secretary General's office to provide a set of ready-to-wear universal values upon which world business could be conducted. The code aims to better "embed" business in society, and "serve as a framework of reference and dialogue to stimulate best practices and to bring about convergence in corporate practices around universally shared values" (Kell and Ruggie, 1999: 104). The Global Compact, despite the media frenzy surrounding the initiative, has only had a limited success to this point.

The interest of the multilateral organizations in Latin America, has thus worked to establish an institutional buttress for the promotion of corporate social responsibility in the region. The OECD's National Contact Points, and the Summit of the Americas Action Plan commitments are the clearest evidence of this support. The financing available from the IDB has also had the effect of strengthening civil society organizations promoting CSR among business leaders. The external impulse of these organizations has been fundamental to CSR promotion in the region.

THE LATIN AMERICAN PRIVATE SECTOR: FROM RENT-SEEKERS TO SOCIALLY RESPONSIBLE CORPORATE CITIZENS?

In Latin America, the existence of the entrepreneurial spirit, what John Maynard Keynes termed the "animal spirits" of capitalism, has been widely questioned, and local businessmen have more often been viewed as rent-seeking and opportunistic. Some recent studies seeking to explain the developmental success of the East Asian Newly Industrializing Countries (NICs) have emphasized the importance of a culture of entrepreneurship, which has been allegedly lacking in Latin America (Casson, 1990; Chan and Clark, 1995). Others have pointed to the business strategies pursued by the Latin American economic elite, arguing that they have consistently chosen the easy option, monopoly profits, and high consumption without saving (Azpiazu and Nochteff, 1995; Palma and Marcel, 1989)

As a result of the liberalization and privatization process throughout the region, however, large conglomerates, or "economic groups" which owned

firms in diverse and often unrelated sectors of the economy evolved out of the family-owned firms typical of the import-substitution period, to be the pre-eminent local business actors by the 1990s. Although their increase in size and influence was a direct consequence of their owners' preferential access to political power, the demands of market competition and external financing forced a process of modernization which left most large Latin American firms as modern, professionally-managed corporations (Stolovich, 1995).

The question remains, however, whether that professionalization has extended to the adoption of socially responsible corporate behaviour. This section of the paper will examine the record of the top 30 Latin American corporations in terms of their adoption of CSR codes and practices. Using the ranking of Latin American companies published by *Latin Trade* magazine, the study asked whether the following information was easily available from company websites and annual reports posted on the website: did the company have Ethics or CSR codes?; was CSR well publicized?; did the company engage in CSR activities?; and what was the principal CSR activity undertaken by the firm? These results were then compared with a sample of the top 10 Canadian corporations.

Most Latin American firms have some activities that may be classified as community involvement, or demonstrating good corporate citizenship – regardless of whether they have published CSR or Business Ethics codes

Most firms have some activities that may be classified as community involvement, or demonstrating good corporate citizenship – regardless of whether they have published CSR or Business Ethics codes or principles on the website. These projects include a wide spectrum of activities from support of cultural and sporting events, social development, education, health and the environment.

It is worth noting that many of the same companies that publicize CSR activities on their websites, do not appear to have regularized CSR codes with specific principles or obligations, which the company commits to honour. However, some recognized "good corporate citizens" like Mexico's Grupo Industrial Bimbo, and Wal-Mart, both winners of the Mexican Philanthropy Centre's (CEMEFI) "ESR (*Empresa Socialmente Responsable*) 2002" prize, did not have CSR codes published on their websites. In addition, only a few of the companies in the sample published an annual Social Report with detailed information on

Table 3: CSR Activities of Top Latin American Companies

Ranking		Company	Country	Sector	2002 US\$ Millions	From Company Websites			Principal CSR Activity or Foundation
2002	2001					Ethics or CSR Codes	CSR Well Publized	CSR Activities	
1	1	Petrobras	Brazil	Oil, gas	19,578	YES	YES	YES	Petrobras Social Programme
2	2	Telmex	Mexico	Telecom	10,944	YES	YES	YES	Fundación Telmex
3	3	Telecom Carso Global	Mexico	Telecom	10,944	NO	NO	NO	
4	4	Wal-Mart de México	Mexico	Retail	10,260	NO	NO	NO	
5	8	Cemex	Mexico	Cement	6,586	NO	YES	YES	Concrete Floors (Gov't Prog)
6	5	Repsol YPF	Argentina	Oil, gas	5,781	YES	YES	YES	Fundación YPF; Fundación Repsol YPF
7	14	América Móvil	Mexico	Telecom	5,572	NO	NO	NO	
8	6	Eletrobrás	Brazil	Electricity	5,473	YES	YES	YES	Social Mobilization Project
9	7	Petrobras Distribuidora	Brazil	Oil, gas	5,415	YES**	YES**	YES**	Petrobras Social Programme**
10	10	Femsa	Mexico	Beverages	5,134	NO	YES	YES	SCYF; Bienal Monterrey
11	9	Grupo Carso	Mexico	Holding	5,031	NO	NO	YES	Museo Soumaya
12	12	Alfa	Mexico	Holding	4,980	NO	YES	YES	Fundación Planetario Alfa
13	13	CVRD	Brazil	Mining	4,154	YES	YES	YES	Fundação Vale do Rio Doce
14	20	Grupo Industrial Bimbo	Mexico	Food	4,012	NO	YES	YES	Support Foundations: Gov't Programmes
15	11	Ipiranga Distribuidora	Brazil	Gas	3,615	NO	YES	YES	
16	25	Grupo Modelo	Mexico	Beverages	3,515	NO	NO	NO	
17	15	Enerisis	Chile	Electricity	3,450	NO	NO	YES	Cultural events
18	23	Antarchile	Chile	Holding	3,390	NO	YES	YES	Fundación Copec - Universidad Católica
19	24	Copec	Chile	Oil, gas	3,387	NO*	YES*	YES*	Fundación Copec - Universidad Católica*
20	63	Bunge Brasil	Brazil	Chemical	3,383	NO	YES	YES	Fundação Bunge
21	16	Tele Norte Leste	Brazil	Telecom	3,361	YES	YES	YES	Instituto Telemar
22	21	Telemar	Brazil	Telecom	3,254	YES***	YES***	YES***	Instituto Telemar***
23	29	Organización Soriana	Mexico	Retail	3,115	NO	NO	YES	Various
24	22	Comercial Mexicana	Mexico	Retail	3,108	NO	NO	NO	
25	17	Ipiranga Petroquímica	Brazil	Oil	3,023	NO	NO	NO	
26	27	Grupo Gigante	Mexico	Retail	2,994	NO	NO	YES	Fundación Gigante
27	18	Telesp	Brazil	Telecom	2,855	NO	YES	YES	Fundação Telefônica

Table 3: CSR Activities of Top Latin American Companies - continued on page 10

Table 3: CSR Activities of Top Latin American Companies (continued from page 9)

Ranking		Company	Country	Sector	2002 US\$ Millions	From Company Websites			Principal CSR Activity or Foundation
2002	2001					Ethics or CSR Codes	CSR Well Publized	CSR Activities	
28	30	Cintra	Mexico	Aviation	2,779	NO	NO	NO	
29	26	Pão de Açúcar	Brazil	Retail	2,676	YES	YES	YES	Instituto Pão de Acúcar
30	44	Grupo Imsa	Mexico	Steel	2,646	NO	YES	YES	Clean industry efforts

Source: compiled by author. Ranking from Latin Trade 100, 2003 [Accessed online at <http://www.latintrade.com> in February 2004]. Firms ranked by net sales in \$US millions, as of December 31, 2002. Research on company websites conducted in February 2004.

Notes: * Same information as COPEC, of which AntarChile is the majority shareholder; ** Same information as Petrobras, Distribudora is the retail subsidiary; *** Tele Norte Leste and Telemar are part of same telecom group.

projects undertaken and money spent on CSR. A world-class example of such an “*Informe Social*” was that published by *Repsol-YPF*, which included a statement on the company’s adherence to the UN Global Compact principles and other CSR codes, and the monetary amounts spent on specific projects. It may be hypothesized that because *Repsol-YPF* is a Spanish-owned multinational, its commitment to CSR is both a product of its internalization of European Community norms, and a broader commitment to looking and acting like a global company.

Yet some companies without codes posted on their websites act as agents for multinationals from the developed world, which have their own codes. Such is the case of *Comercial de Mexico*, which represents the brand-names of Costco and Price Club in Mexico. Thus, it is not clear that having a relationship with foreign MNEs necessarily translates into better adoption of CSR codes and policies by local firms and subsidiaries.

Another commonality among the sample was the prevalence of corporate foundations, which coordinate the majority of the company’s charitable projects. This suggests that Latin American firms want to carefully control the distribution of charity (and fulfillment of CSR obligations) within an organization that strengthens their brand recognition and works with their marketing strategy – rather than distributing charity through third-party organizations. It may also be evidence of the uneven progress from traditional philanthropy in Latin America to more regularized CSR practices – as building a chari-

table arm of the company may substitute for a thorough-going reform of internal corporate structures and practices according to the principles of corporate responsibility.

Interestingly, the Brazilian firms in this sample were a case apart and reflected a commitment to CSR promotion and reporting that was closer – indeed equivalent - to Canadian norms rather than Latin American ones. The majority published both CSR codes and Corporate Social Reports on their websites. They also participated in a wide range of CSR activities including government programmes such as *Fome Zero* (Zero Hunger). This may be due to the number of state-owned firms in the sample, but this commitment to CSR was also well demonstrated among private sector firms as well. For example, *Pão de Açúcar*, a retailing firm, published its own Social Report, complete with a detailed financial statement on what proportion of its earnings were spent on CSR projects.

Overall the sample of Canadian firms showed a number of attributes that distinguish it from the Latin American firms examined above. Most important, was the regularization of codes and standards related to corporate social responsibility and the easy public accessibility of that information on corporate websites.

When CSR practices by the leading Canadian firms are compared to the Latin American sample, what is notable is not differences in CSR activities *per se*, but rather the regularization and codification of CSR

Table 4: Publicization of CSR Among Top Canadian Companies

Ranking		Company	Country	Sector	2002 Profit CDN\$ Millions	From Company Websites			Principal CSR Activity or Foundation
2002	2001					Ethics or CSR Codes	CSR Well Publized	CSR Activities	
1	1	Royal Bank	Canada	Banking	2,762	YES	YES	YES	Charity; Athletic Sponsorship; United Way
2	30	BCE Inc.	Canada	Telecom	2,475	YES	YES	YES	Charity; R&D; Sponsorship
3	2	Bank of Nova Scotia	Canada	Banking	1,797	YES	YES	YES	Charity; Sponsorships
4	4	Bell Canada	Canada	Telecom	1,504	YES	YES	YES	Charity; R&D; Sponsorship
5	5	Bank of Montreal	Canada	Banking	1,417	YES	YES	YES	Charity; Scholarship Programme; Sponsorship
6	10	Manulife Financial	Canada	Financial	1,378	YES	YES	YES	Hospitals; Education
7	7	EnCana Corp	Canada	Oil and Gas	1,224	YES	YES	YES	Charity; United Way
8	8	Imperial Oil	Canada	Oil and Gas	1,210	YES	YES	YES	Imperial Oil Foundation; United Way
9	14	Sun Life Financial	Canada	Financial	998	YES	YES	YES	Charity
10	15	Power Financial	Canada	Financial	998	NO	NO	YES	Charity; Sponsorship

Source: compiled by author. Ranking from, Report on Business, Top 1000 Companies 2003 [Accessed online at www.globeinvestor.com/series/top1000/]. Research on company websites conducted between March 1-7, 2004.

practices in corporate codes of conduct. Among the top 10 Canadian firms, for example, 9 had CSR or Ethics codes published on their websites. This was generally part of a transparency package, which included other information about corporate governance.

Most of the Canadian firms examined here had also started to produce “Social Reports” on their corporate community activities since 2001 or 2002. Although there was significant variation in the length and detail of these reports, in general they exhibited better reporting standards than the Latin American firms, including a detailed enumeration of key project, dollar amounts spent, percentage of funds going to different areas such as education, health, sponsorship, as well as a declaration of the taxes paid both globally and to the Canadian government.

Brazilian firms showed a commitment to CSR promotion and reporting that was closer – indeed equivalent - to Canadian norms rather than Latin American ones.

Canadian firms also tend to encourage their employees to volunteer with community organizations and reward such efforts. For example, through the Scotia Employee Volunteer Programme, up to \$1000 was donated to community organizations where Scotiabank employees dedicated at least 50 hours annually. A total of 250 community organizations were supported in this way in 2002. Also at Scotiabank, their Team Scotia Community Programme, provided up to \$5000 in matching grants to match funds raised for charitable causes by Scotia employees. These kinds of programmes are common in most of the big Canadian firms.

Interestingly, the most important CSR activities (in dollar terms) – aside from sponsorship of public events (which may be termed advertising) involved giving grants or donations to pre-existing institutions such as educational institutions, hospitals, or

recognized “umbrella” charitable organizations such as the United Way. This is in clear contrast to the use of corporate foundations as the dominant form of community involvement in Latin America.

The major differences in CSR promotion between Canadian and Latin American firms were therefore: the extent to which CSR practices and principles were codified; the accessibility of this information through the Internet; and the use of third-party umbrella charitable organizations or “branded” corporate foundations.

CIVIL SOCIETY ORGANIZATIONS AND EXTERNAL FUNDING

There is a great diversity of civil society organizations that work to promote corporate social responsibility in the Americas, organizations inspired by religious values such as the *Foro Ecuménico Social* from Argentina and the *Unión Social de Empresarios de*

Mexico (USEM); academic centres such as *IDEA - Instituto por el Desarrollo Empresarial de la Argentina*, and *Iniciativa en Emprendimientos Sociales* at the Universidad de Los Andes in Colombia; B/INGOs such as *FUNDEMÁS - Fundación Empresarial para la Acción Social*, and *Perú 2021*; B/INGO networks like *Forum EMPRESA* based in Chile; membership-funded private sector organizations such as *Desarrollo de la Responsabilidad Social Empresarial* of Uruguay; philanthropic foundations like *Fundación Esquel* of Ecuador; and even independent NGOs like *Red Puentes RSE* based in Mexico.

These Latin American civil society organizations do many of the same things that their CSO counterparts do in the developed countries do in terms of CSR promotion. These include:

1. Promoting the “business case” for CSR, and conduct industry surveys;
2. Publishing “how to” guides to integrate CSR into business planning;

Table 5: Selected CSOs Promoting CSR in Latin America (continued on page 13)

Country	Name	Type	Funders
Argentina	IDEA - Instituto por el Desarrollo Empresarial de la Argentina	Academic	Self-sustaining
Argentina	Foro Ecuménico Social	Religious	Private Sector
Argentina	Alianzas	Academic	Avina Foundation
Argentina	El Centro Para La Responsabilidad Social	B/INGO	Private Foundation
Argentina	Instituto Argentina de Responsabilidad Social Empresaria (IARSE)	B/INGO	W.K. Kellogg Foundation; Avina Foundation; PNUD; Private Sector
Argentina	Grupo de Fundaciones Argentina	Foundation Network	W.K Kellogg Foundation; Various Argentine Corporate Foundations
Brazil	Instituto Ethos	B/INGO	Private Sector
Brazil	Grupo de Institutos Fundações e Empresas (GIFE)	B/INGO	Avina Foundation; Ford Foundation
Chile	Acción Empresarial	B/INGO	Private Sector
Chile	Forum EMPRESA	B/INGO Network	Hewlett Foundation; W.K. Kellogg Foundation; Ford Foundation; Private Sector
Chile	Plaza Nueva - Fundación PROHumana	NGO	Avina Foundation; Ford Foundation; W.K. Kellogg Foundation; UNDP; UN Volunteers
Chile	Vincular, National Catholic University of Valparaíso	Academic – Private Sector	IDB (Multilateral Investment Fund); Government of Chile
Colombia	Iniciativa en Emprendimientos Sociales,	Academic	Harvard University; Avina Foundation Universidad de Los Andes
Dominican Republic	Alianza ONG	NGO	Inter-American Foundation; Consejo Nacional de Empresa Privada (CONEP); IDB

Table 5: Selected CSOs Promoting CSR in Latin America (continued from page 12)

Country	Name	Type	Funders
Ecuador	Fundación Esquel	Foundation	Private Sector
El Salvador	FUNDEMAS - Fundación Empresarial para la Acción Social	B/INGO	W.K Kellogg Foundation; UNCTAD; IDB (Multilateral Investment Fund); CEFIEM (Centro de Filantropía Empresarial - El Salvador);
Guatemala	Centro para la Acción de la Responsabilidad Social Empresarial en Guatemala (CentraRSE)	B/INGO	Private Sector
Honduras	Foundation for Corporate Social Responsibility of Honduras (FUNDAHRSE)	B/INGO	Private Sector
Mexico	CEMEFI - Centro Mexicano para la Filantropía	Foundation Network	Private Foundations
Mexico	Union Social de Empresarios de Mexico (USEM)	B/INGO	Private Sector
Mexico	Red Puentes RSE	NGO	NOVIB (Dutch Development Agency); Ford Foundation
Panama	Centro Empresarial de Inversión Social (CEDIS)	B/INGO	W.K. Kellogg Foundation
Peru	Perú 2021	B/INGO	Private Sector Regional-OAS IACD - Inter-American Agency for Cooperation and Development Multilateral Multilateral
Uruguay	Desarrollo de la Responsabilidad Social Empresarial	B/INGO	Private Sector
Venezuela	United Nations Venezuela	Multilateral	Multilateral

Source: compiled by author.

3. Promoting “best practices” through prizes for good corporate citizenship, certifying firms as CSR compliant, and publishing newsletters;
4. Building networks of CSOs working on CSR;
5. Holding and attending conferences and workshops.

All CSOs are not equal of course – and all CSOs do not share the same “objective interests.” It is important to underline the potential differences between NGOs that are independent from business, and B/INGOs, which are distinct for reasons of origin, corporate membership, and purpose. The former, besides promoting the adoption of rigorous and demanding CSR codes, are more likely to engage business in a watchdog capacity. The latter, more likely to promote and publicize CSR as being in the best interest of business. Besides the “business case” for CSR, the “business interest” or *quid pro quo* of CSR should not be forgotten – “voluntary” community benefits to forestall obligatory regulation by the state.

But the truly independent CSOs working on CSR in the Americas are few and far between – the majority are B/INGOs, the handful of independent NGOs are mostly funded by private foundations and multilaterals. Just as the multilateral organizations of regional and

global governance have worked to establish an institutional buttress for CSR in the hemisphere, so have these same organizations, together with foreign foundations, contributed to the development of a civil society that promotes and advocates for corporate social responsibility. To a large extent this is a “sympathetic civil society” rather than a combative one.

It is important, therefore, to consider the extent to which external support is important to advancing the CSR agenda. Many of the CSOs listed in Table 5 receive funds from funding organizations such as the Inter-American Development Bank, Kellogg Foundation, Inter-American Foundation; and multilateral and national development agencies. This raises the question of “whose agenda is the CSR agenda?” Is it home-grown or imported from abroad? Would the debate around the appropriateness of CSR for Latin America be more combative (or even exist) if it were home-grown? Funding agencies have an important ability to set the agenda that must be recognized. Like CSOs everywhere in the world, if Latin American CSOs know that there is money to promote CSR, they will create programmes to access it.

Table 6: Consumer Demand for CSR in Latin America and the Caribbean

Country	Level of Public CSR Demand
Argentina	medium
Brazil	low
Canada	high
Chile	low
Mexico	high
United States	high
Rest of Latin America	none/ no data

Source: *Environics International*, 2001.

However, it would be an exaggeration to argue that the interest in CSR in Latin America is solely externally generated. Consumer demand for good corporate citizenship, though weak, exists. According to a 2001 *Environics* survey, Mexico has similar levels of “public CSR demand” to Canada and the United States.

In the case of Chile for example, surveys conducted by the industry association SOFOFA (*Sociedad de Fomento Fabril*) reveal considerable local interest: 67% of surveyed companies were developing CSR policies, 74% viewed CSR policies as relevant, and 52% saw the number one reason for adopting CSR as a matter of principle (SOFOFA, 2003: 2). Nonetheless, pressures from consumers remain soft in Latin America – in general, while consumers identify socially responsible activities as being important to their opinion of companies, in the end, brand-name remains the most important determinant of opinion (results which are reversed in polls of developed world consumers).

Furthermore, the cross-national comparison of levels of CSR activity discussed earlier in this paper, suggested that public awareness of CSR – demonstrated through newspaper citations, NGO activities, and educational programming – led the other categories of private sector and government activity across the region.

CSOs, in their considerable diversity, are key actors in the promotion of CSR in the Americas. That much of

the impulse behind this growth of interest in corporate social responsibility is likely the result of financing from abroad, is a cause for concern – in part because it seems to limit the debate to one which prioritizes the promotion of CSR over understanding its effects or encouraging CSOs to act as watchdogs of corporate commitments, and also in part because the question of the appropriateness of corporate social responsibility to the particular conditions of Latin America is rarely considered.

CONCLUSION

The system of CSR promotion and advocacy is well-established in Latin America and the Caribbean. It is supported financially by external agents such as the OECD, IDB, OAS, private foundations, international NGOs, and the home offices of multinational enterprises; and it is run through a network of local civil society organizations, government offices, academic institutions and of course private companies.

While the system of promotion and advocacy is in place and building its institutional buttresses – it is not yet clear that this system translates into effects and that therefore, it is worthy of being financed with the scarce funds of multilateral development organizations. Recent research has theorized that turning CSR intentions into real effects is a function

of the “specificity” or detail of the codes, coupled with a working compliance system. On the “specificity” side, Ans Kolk *et al.* advocate CSR codes with specific objectives, quantitative standards for evaluation, and clear time horizons for meeting goals. Compliance is improved through monitoring systems, independence of the monitor, sanctions for non-compliance, and a demonstrated financial commitment to CSR objectives (Kolk *et al.*, 1999). It is particularly noteworthy

that on the key issue of the independence of the monitor, the authors view monitoring by the firm or business and trade associations as the least rigorous method, while monitoring involving independent NGOs, and the legal authority of the state is the most rigorous.

The key weakness of the CSR system in Latin America as it has been modelled in this paper, is therefore that it is not suited to either monitoring or promoting compliance. The dominant civil society actors, with the strongest financial support from abroad are mostly B/INGOs, which according to Kolk *et al.*, are

*Whose agenda is
the CSR agenda?
Is it home-grown
or imported
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not effective partners in ensuring that CSR promotion becomes CSR effects. Furthermore, none of the “independent” NGOs identified in this paper actually perform watchdog tasks or monitor corporate compliance with their own CSR codes. A further difficulty for compliance is the general and non-specific nature of most CSR commitments publicized by Latin America’s top firms.

Recognizing how the CSR System works in Latin America and the Caribbean is key to understanding how to promote the adoption of CSR codes and to increase the seriousness of that commitment. Turning CSR commitments into CSR results is therefore a matter of:

- Promoting the adoption of CSR codes that meet “specificity” criteria and which can be evaluated by independent third party audits;
- Strengthening watchdog agencies and truly independent NGOs capable of evaluating company compliance with CSR codes as part of an effort to strengthen institutions that increase compliance;
- Funding research into how governance failures at the state level affect CSR effects in Latin America.
- Work towards building a common methodology for evaluating CSR effects that can be applied across sectors and countries, thus permitting the generation of aggregate and comparable data that can support policymaking in this area.

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