A lot of what is discussed in the corporate social responsibility debate focuses on individual firm case studies, best practices, and philosophical arguments that justify the adoption of CSR codes by companies (including both moral and “business case” lines of reasoning). The vast majority of this debate originates and is conducted in the rich countries of the world. This afternoon, I want to do something a little different – that is an overview of the actual importance, or “the state” of CSR in Latin America and the Caribbean. I will also discuss the importance of corporate social responsibility for poverty alleviation in the developing world.

My presentation is organized in three parts as follows:

1. An overview of CSR in the Americas (Latin America);
2. Contextualize the problems of CSR promotion in the region and relate them to poverty alleviation efforts;
3. Broach some issues of policy relevance.

1. An Overview of CSR Principles 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, I have worked to extend a 2002 study by Susan Aaranson and James Reeves, published by the National Policy Association. 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 (promotion and advocacy); and public awareness. We may assume that a good part of their research was based on the availability of this information on the Internet.

In a variation on this theme, I sought to compare selected countries of the Americas along the same categories (using the Canadian ranking from Aaronson and Reeves as the baseline). I need to emphasize, that this comparison was based on Internet searches and therefore suffers from deep methodological limitations – such as the limited use of the Internet in some countries, etc. Nonetheless, since most multinational corporations, NGOs, and governments have an extensive web presence in Latin America, I think the study reveals some interesting points.
According to Aaronson and Reeves, Canada and the United States rank as follows.

<table>
<thead>
<tr>
<th>Country</th>
<th>Private Sector Participation</th>
<th>Government Advocacy &amp; Promotion</th>
<th>General Public Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>Medium-High*</td>
<td>High*</td>
<td>Medium*</td>
</tr>
<tr>
<td>United States</td>
<td>Medium*</td>
<td>Low-Medium*</td>
<td>Low-Medium*</td>
</tr>
</tbody>
</table>

I used a number of indicators of CSR activity in each category to get a “picture” of the state of the art. These are listed in the methodology box in the text. Using these indicators, in the “baseline” case of Canada we can see a very significant degree of CSR activity. 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, independent organizations (funded by business) promoting CSR as well as activities by industry associations. 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.

### Box 1: Indicators for CSR Study

<table>
<thead>
<tr>
<th>Private Sector</th>
<th>Government Promotion</th>
<th>Public Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Organizations</td>
<td>Government Departments</td>
<td>Newspaper Citations</td>
</tr>
<tr>
<td>Industry Associations</td>
<td>Publicly-Owned Firms</td>
<td>National NGOs (non-business)</td>
</tr>
<tr>
<td>Companies with CSR Codes</td>
<td>Programs with Foreign Governments or Multilaterals</td>
<td>Subsidiaries of International NGOs</td>
</tr>
<tr>
<td>CSR Consultants</td>
<td></td>
<td>University/ College activities</td>
</tr>
</tbody>
</table>

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 by the indicators listed above.

So how does the rest of the Americas compare?

In general we can say that there is a huge gap between 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 (Argentina, Brazil, Chile, Mexico) and the rest. In fact, we can say that there are 4 different levels of CSR activity in the Americas, in declining order of activity:

- Canada and US;
- Argentina, Brazil, Chile and Mexico;
- Rest of South America, and;
- 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 prompted 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.

In general we can see significant private sector activity – including companies, but especially important are industry associations and independent organizations or clubs of business professionals. 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 programs in the public awareness category. We may hypothesize that this is due to Mexico’s deeper integration into North American business practices and business training norms. These countries also have National Contact Points charged with promoting the OECD’s Guidelines for Multinational Corporations, and in Mexico in particular, we see a number of different government bureaucracies and programs promoting CSR (mostly within development and planning ministries).

![Table 2: Corporate Citizenship in the Americas – Levels of Activity in Selected Countries](image)

*Method based on Aaronson and Reeves, 2002.

When compared to the rest of South America (Bolivia, Colombia, Paraguay, Peru, Venezuela), we see another enormous drop in overall CSR activity. Search “hits” fell to the range of 7-12, 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 UNDP (United Nations Development Program), which has been promoting the Global Compact in the region. Public
awareness is still important, but is confined to NGOs working on promoting CSR and the existence of 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 – 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 we see minimal government involvement (sometimes with foreign governments such as the ENACT environment program in Jamaica sponsored by the Canadian government). Private sector involvement was only relevant in Trinidad and Costa Rica thanks to the work of industry associations.

In this respect, we can identify 3 overall trends in the Americas:

1. Private sector activity is relatively weak (less so in bigger economies), and much of the work being done is conducted by industry associations or independent business and professional associations.

2. Government involvement and promotion 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 they have been active in signing up companies to the UN Global Compact in Argentina, Chile, Colombia and Venezuela.

3. 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). The importance of NGOs in advancing the CSR agenda is also surprisingly strong.

Civil Society and CSR

There are many NGOs that work on CSR in the hemisphere including:

- Instituto Ethos, Brazil
- Forum Empresa, Chile
- Acción Empresarial, Chile
- FUNDEMAS (Fundación Empresarial para la Acción Social), (El Salvador)
- Aliar SE, Mexico
- CEMEFI (Centro Mexicano para la Filantropía), Mexico [ESR – Empresa Socialmente Responsable certification]
- Peru 2021, Peru
- IDEA (Instituto para el Desarrollo Empresarial de la Argentina), Argentina
- Poder Cuidadano [Transparency International – local chapter], Argentina
- Alianza ONG (Dominican Republic)

These Latin American NGOs do many of the same things NGOs in the developed countries do in terms of CSR activities. These include:

1. Promoting the value (business case) for CSR, and conduct industry surveys;
2. Publishing “how to” guides to integrate CSR into business planning;
3. Promoting “best practices” through prizes for good corporate citizenship, certifying firms as CSR compliant, and publishing newsletters;
4. Building networks of NGOs working on CSR;
5. Holding and attending conferences and workshops.

It is important, therefore, to consider the extent to which external support is important to advancing the CSR agenda. Many of the NGOs listed above receive funds from organizations such as the Inter-American Development Bank, Kellogg Foundation, Inter-American Foundation; and national development agencies. This raises the question of “whose agenda is the CSR agenda?” Is it homegrown or imported from abroad? Funding agencies have an important ability to set the agenda that must be recognized. If Latin American NGOs know that there is money for CSR, they will create programmes to access it.

At the same time, I don’t want to say that the interest is entirely externally generated – just emphasize the extent to which CSR promotion crosses the line of private businesses doing what they think is right and profitable, to development and economic policy promoted from abroad: In the case of Chile for example, surveys conducted by the industry association SOFOFA reveal considerable local interest: 67 percent of surveyed companies were developing CSR policies, 74 percent viewed CSR policies as relevant, and 52 percent saw number 1 reason for adopting CSR as a matter of principle. 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).²

<table>
<thead>
<tr>
<th>Country</th>
<th>Level of Public CSR Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>medium</td>
</tr>
<tr>
<td>Brazil</td>
<td>low</td>
</tr>
<tr>
<td>Canada</td>
<td>high</td>
</tr>
<tr>
<td>Chile</td>
<td>low</td>
</tr>
<tr>
<td>Mexico</td>
<td>high</td>
</tr>
<tr>
<td>United States</td>
<td>high</td>
</tr>
<tr>
<td>Rest of Latin America</td>
<td>none/ no data</td>
</tr>
</tbody>
</table>


**CSR and Poverty Alleviation in Latin America**

It is important to contextualize CSR in the Americas, not out of respect for cultural relativism, but rather because of the way in which the structural problems of developing areas can affect much of what we normally assume about the effects of corporate social responsibility on development. In this respect, I think it is important to address the extent to which “governance” (not corporate governance, but state governance) can affect the effective and efficient use of CSR.
The World Bank uses a “CSR diamond” in which it sees the following factors as inputs to good corporate social responsibility:

1) The rule of law;
2) Internal corporate governance;
3) Regulation, competition and standards;
4) Complementary governance institutions (judiciary).\(^3\)

Three of these four are the responsibility of governments, and 3 of these four are sub-optimal in developing areas. If these factors are important to making CSR work as a development tool, we can deduce that the failure to provide these “inputs” means that CSR (and therefore CSR’s contribution to development) will not be maximized. We will discuss each of the three in turn.

In terms of the rule of law, it is clear that without enforcement of existing laws the incentives to go beyond them are weaker. A well known expression in Latin America describes the tenuous relationship of Latin America with the rule of law as follows: La ley se obedece pero no se cumple, meaning the law is obeyed but not carried out. In much of Latin America, including the most industrialized countries, the judiciary and the rule of law is weak (if not corrupt), and politics often interferes with markets. Thus we cannot assume that the rule of law functions as it does in the developed world.

In terms of competition and regulation, the World Bank itself writes, “open and competitive markets are powerful prerequisites for CSR, including poverty reduction… competition is part of the system of checks and balances that help create good governance and CSR.”\(^4\) The reality is that these conditions do not exist in most of Latin America. Markets are open (deregulated and low tariffs) but it is not clear that competitive conditions exist: a wave of privatizations in the 1990s consolidated a series of oligopolies and monopolies (as public monopolies became private ones); much foreign investment is found in non-tradable services or other protected economic enclaves; and the original purchases of privatized enterprises (tendering) was corrupt throughout Latin America, in processes where privileged access to political power was key to winning.

The World Bank considers the institutions that complement CSR activities to be an active and independent civil society (NGOs, consumer advocate groups, business associations); financial institutions; multilateral institutions which promote CSR; a free and independent media; advanced CSR consulting firms; a competitive labour market; and good government (including a professional civil service, congressional oversight of the executive, democracy and the absence of corruption). Latin America has made great progress in all these areas in the last decade, but I don’t need to restate that many of these institutions are seriously compromised in many Latin American countries – and the more so in the poorer ones.

In summary, we may say that the shift from import-substitution industrialization to open, liberalized economies has been accompanied with the retreat of the regulatory role of the state. The World Bank defines the role of government as, “Through its impact on rule of law; regulation, competition, standards, complementary CSR institutions, and internal corporate structures and policies, the government can influence the links between CSR and the poor, thus stimulating companies to address the issue of poverty alleviation.”\(^5\) As we have seen, the state of the governance
environment and the weakness of the state in Latin America constitute a serious
difficulty for performing these tasks.

Policy Implications

The discussion of the “state of CSR” in Latin America and the Caribbean has raised a
number of issues that may be viewed through a policy lens.

**Develop a CSR Follow-up Programme**

We still need more quality information and research on the impact of CSR initiatives,
which moves us beyond individual business cases. We can argue that CSR makes
good business sense (this is the business viewpoint), but from a development
viewpoint, I want to know does CSR make good development sense? The question is
relevant as institutions such as the World Bank, the Inter-American Development
Bank, and national aid agencies such as Canadian International Development Agency
promote CSR exactly because they think it makes good development sense. On this
question, we need more evidence from aggregated studies including “before and
after” effects of CSR policies. In order to determine whether foreign aid money
should be spend on CSR, we need to know if CSR promotion is cost-effective poverty
alleviation in comparison with other methods.

**Question the Article of Faith – That CSR Codes should be Voluntary**

We need to recognize that regulation and voluntarism are complementary with no
fixed line in between. Much of what is now a moral and voluntary obligation may
also be legitimately moral and legal obligations – that is to say in a world where
environmental and social sustainability was taken more seriously, legal obligations
would be more extensive. In Latin America, we cannot assume that business has the
same good (or at least benign) effects it does in the developed world (due to market
rigidities, monopolies, non-competitive environments, and regulatory weakness).
That real world context increases the need for legal (and moral) obligations not
decreases it. Ultimately, the commitment to CSR will be demonstrated I willingness
of governments to link CSR and regulation more explicitly, or provide the legal and
investment incentives that make social responsibility the only logical corporate
choice.

**Governance**

The crux of the impact of CSR on development is good governance in Latin America.
Without good governance CSR policies will have a limited effect. Policies to
promote CSR should be linked to policies that improve state governance. Thus,
addressing, Latin America’s governance challenges may be more important to
stimulating socially responsible corporate behaviour than CSR policies.

Endnotes

1 Aaronson, Susan Ariel, and James T. Reeves. *Corporate Responsibility in the Global Village: The
4 Ibid.
5 Ibid.