



FOCAL

Canadian Foundation for the Americas

Fondation canadienne pour les Amériques

Fundación Canadiense para las Américas

Fundação Canadense para as Américas

External CSR Practice and Investments by Canadian Corporations in Latin America and the Caribbean

September 2005

 **Phoenix**
Strategic Perspectives Inc.

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Canadian International
Development Agency

Agence canadienne de
développement international



PREFACE

Canadian companies are making significant contributions toward meeting the Millennium Development Goals (MDGs) and that these contributions extend beyond the usual suspects of FDI and job creation. These contributions extend into “traditional” development activities such as maternal health, primary education and community capacity building.

It is important that this message be widely disseminated in Canada and abroad. It is important for the development of appropriate Canadian policies relating to our foreign investment and pursuit of our development objectives including helping in the achievement of the MDGs.

Our research shows that in Trinidad and Tobago, Chile and Guatemala, Canadian companies are spending over 16% of what CIDA is spending on similar activities (CA\$15.4 million for CIDA, CA\$2.7 million for the companies surveyed) and the figures for the private sector are undoubtedly higher as a more detailed and exhaustive survey would undoubtedly show.

The private sector, defined as private individuals and private companies is now, and probably has been for some time, the largest funders of development. We know that in the past year, according to the World Bank, money sent by private individuals to family in the developing world for school fees, food, housing, medicine and other human capital investments exceeded US\$120 billion in 2003, or more than double Official Development Assistance. We have known anecdotally that private companies are and have been contributing vast sums to development in the developing.

In Canada we are just beginning to undertake research on these private contributions to development coming from Canada. The Canadian International Development Agency (CIDA) and FOCAL have conducted preliminary research on remittance flows from Canada to the Caribbean and more research in this area is envisioned.

In terms of contributions by private companies, less research has been done and less is known. That is why the survey undertaken by FOCAL is of such critical importance. It shows that private sector is contributing significant amounts and it also shows that Canadian companies are contributing significant resources in staff time. This study does not pretend to be comprehensive. It is a first attempt to glean information. More will have to be done, but clearly the preliminary results show that more should be done. The private sector is playing a significant role in countries we examined, and it is important that we think harder and deeper about how to work with these non-traditional funders of development if our foreign aid is going to make an impact in meeting the Millennium Development Goals.

Eduardo del Buey
Executive Director
FOCAL

Carlo Dade
Senior Advisor
FOCAL

INTRODUCTION

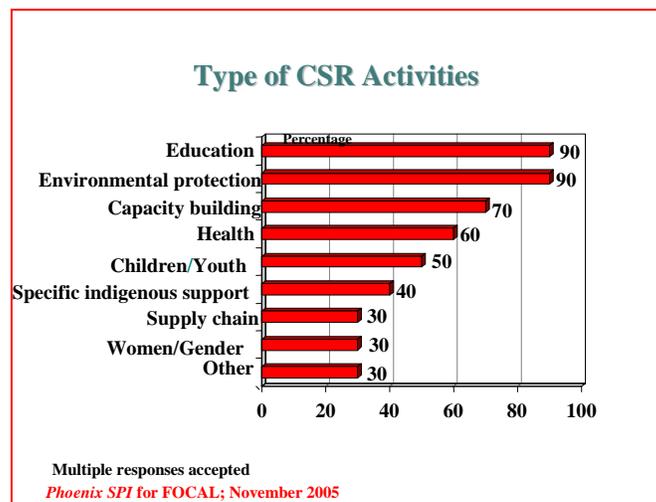
This report presents the summary results for a survey conducted by FOCAL on the contributions to community, economic and environmental development being made by Canadian companies operating in Latin America and the Caribbean. The countries included in this study are Chile, Guatemala, and Trinidad and Tobago. The research was funded by the Government of Canada and the findings will be used to inform the public discussion about international development assistance and the role of Canadian businesses in the Americas. It will also help shape public policy in Canada on supporting corporate social responsibility (CSR) activities by Canadian companies. The fieldwork for the survey was conducted August 15th through November 11th, 2005. In total, 34 questionnaires were sent to Canadian companies (excluding invalid email addresses, duplicates, etc.). A total of 16 business executives completed the survey, which represents a response rate of 47%.

FINDINGS

Slightly less than two-thirds of the Canadian companies surveyed (63%) have direct involvement in initiating or managing an external CSR program in Latin America or the Caribbean. The results presented on the following pages are for firms that have a CSR program. The research findings for companies that do not currently have a CSR program can be found on page five.

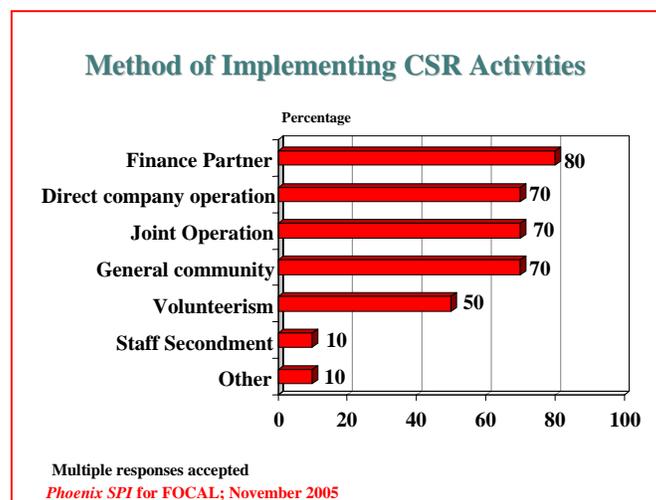
TYPES OF ACTIVITIES AND IMPLEMENTATION

Firms with CSR programs appear to undertake activities in a wide variety of areas. Key social concerns or issues, however, topped the list, with many saying their program covers education, such as adopting schools, literacy programs and teacher training (90%) and environmental protection, such as reforestation, sanitation and monitoring (90%).



Following these main areas of involvement, half or more of the CSR programs provide capacity building for community organizations (70%), support health, such as HIV/AIDS prevention and community clinics (60%), and address children or youth programming (50%). Four in ten support indigenous/Afro-Latino community development strategies. Somewhat less deal with the supply chain, such as development of local supply chains with poor or non-traditional suppliers, and women or gender programming. Other types of CSR activities undertaken relatively infrequently include an organ donation campaign, safety promotion in school, alcohol and drugs consumption prevention, and work in the area of special needs or children with disabilities.

The CSR programs are carried out through a number of different means, although the method cited most often was implementation through a finance partner. In total, 80% pointed to a finance partner. Other methods frequently used, each by seven in ten surveyed firms, include direct company operation/implementation, a joint operation with a partner, and through a general community or small grants fund. Exactly half implement their CSR activities via volunteerism. Relatively few (10%) use staff secondments, which include staff working in NGOs, working with community projects or serving on boards. Included in the 'other' category is a telethon for handicapped children.



SCOPE OF INVESTMENTS

These Canadian firms appear to have made substantial financial and human resources investments in local community, economic and environmental development in the countries in which the business operates (in this case, either Chile, Guatemala, or Trinidad and Tobago). In the most recent fiscal year, the cumulative value of such investments in Canadian dollars was \$3,009,500. The average investment made by these firms was \$300,950, while the size of the investments ranged from \$10,000 to \$927,000.

In addition to their financial contributions, these firms have also invested human resources in Chile, Guatemala, or Trinidad and Tobago. In terms of staff time (measured in person days), the surveyed companies, in the most recent fiscal year, cumulatively invested 4,137 days in their external CSR program. Excluding three firms that devoted two days or less of

FOCAL Survey on External CSR Practice in
Latin America and the Caribbean (November 2005)

staff time, the average number of staff days invested by the other firms was 591; the range of days invested in CSR programs was 17 to 2,640. At an average annual salary of \$50,000 (Cdn.) per employee involved in CSR activities, which is likely significantly lower than the reality of the situation, this would translate into an additional investment of over \$900,000.

Virtually all of these firms reported having staff dedicated to or in charge of carrying out and monitoring external CSR activities. Staff tended to comprise full-time or part-time employees, followed by outside consultants or a combination of the two.

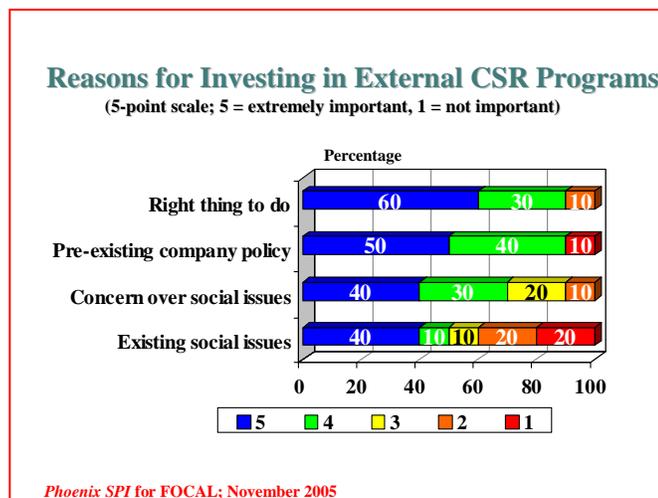
The table below provides a comparison of the cumulative CSR investments made by surveyed firms in Chile, Guatemala, and Trinidad and Tobago (both financial and human resources) compared to the average aid provided by the Government of Canada to these same countries:

Corporate CSR Investment, Most recent fiscal year	Government of Canada, Average Aid 2002-2003*
\$3M 4137 staff days = \$900,000+	\$15.4M

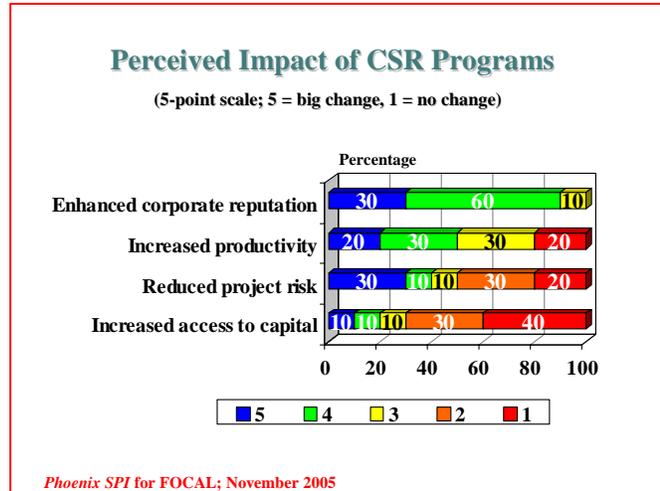
*Source: OECD. Figures converted from U.S. Dollars
www.oecd.org/dac/stats/recipientcharts

Phoenix SPI for FOCAL; November 2005

When asked what motivated their firm to invest in a CSR program, fully 90% of executives attributed importance to the belief that it is the right thing to do, while the same proportion pointed to a pre-existing company policy. Smaller numbers, but still a majority for each, attributed importance to social concerns – concern over social issues, including acceptance of the firm’s right to operate in the country (70%) or existing social issues affecting their operations (50%).



In terms of the expected returns associated with their CSR investments, virtually all of the business executives surveyed (90%) expect to enhance their corporate reputation through their external CSR activities. No other anticipated benefit came close. Beyond this, half of the executives anticipate positive changes for their firm in terms of increased productivity through health or training investments, and 40% vis-à-vis reduced project risk (e.g. political, blockages, and protest). Relatively few expect to see a change in the area of increased access to capital.



PARTNERSHIPS AND ASSISTANCE

Surveyed firms engage in a variety of partnerships for the design, implementation or funding of their CSR program. The findings revealed the following partnership patterns:

- Seven in ten partner with **specialty NGOs** – 71% do so for the design of their program, while the same proportion do this for program implementation. Only 29% reported partnerships related to funding a CRS program with specialty NGOs.
- **Consulting firms** represent another key partner organization, with exactly half saying they partner with these firms. Of these, all do so for the implementation of their CSR program, while 80% partner with these organizations in the design of their program.
- Half of the executives reported that their firm partners with **other companies or business associations** – all of these partner to design or implement their CSR program, and 60% in the area of funding.
- Three in ten partner with **development agencies** – all of these firms establish partnerships for the funding of CSR programs, while two-thirds do so for design. Conversely, one-third partner with these agencies to implement their program.

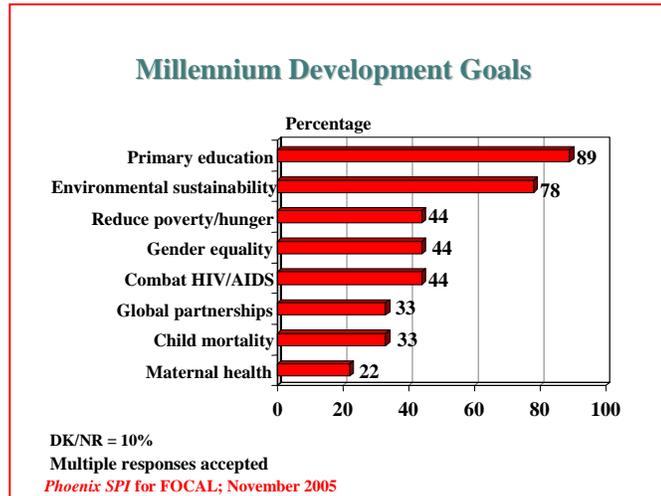
Half of the business executives said their firm has received some assistance related to their external CSR program. In terms of the assistance received, four reported that an NGO or community organization was a source of assistance, three pointed to the Government of Canada, two each said multilateral organizations (e.g. IADB, World Bank, etc.) and business associations, while one mentioned the U.S. government, a local or national government agency, and CSR organizations (e.g. BSR, IBLF, WBSCD). Everyone felt that the assistance received by their firm was useful. Not surprisingly, many executives (75% each) said that their company could most use assistance in the following two areas: technical assistance in project design and selection and project co-financing.

Among those firms that did not receive assistance, the reasons identified were not knowing where to seek assistance/not wanting assistance, and that it was too early in the development of their program.

RESULTS MEASUREMENT AND MILLENNIUM DEVELOPMENT GOALS

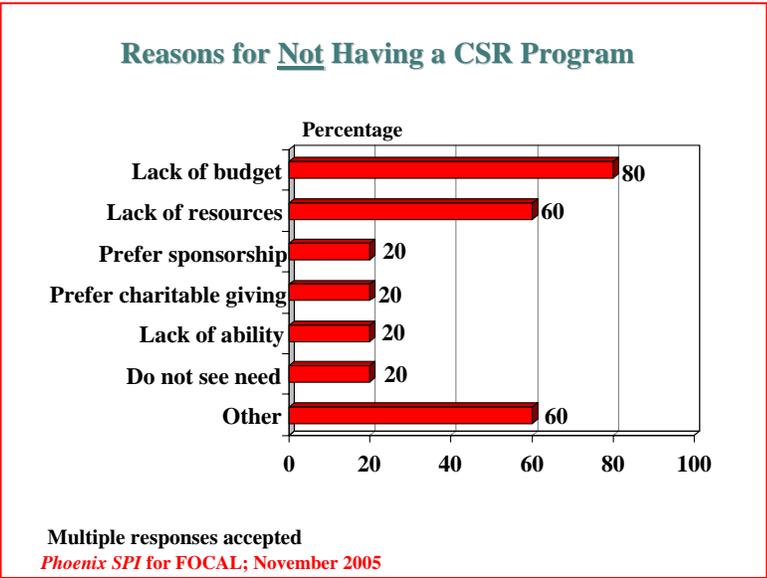
Exactly half of business executives (50%) reported that their firm does not measure the results or Return on Investment (ROI) of their external CSR program. Turning to those that do, three firms use the Global Reporting Initiative (GRI) or a company-devised framework. One respondent said that the results/ROI are measured through another mechanism – CentraRSE Guatemala, while another explained that they use GRI, but only at a corporate, not country level.

Turning to the Millennium Development Goals, many of the surveyed companies' CSR programs contribute to meeting a variety of goals. Heading the list, 89% said that their activities contribute to the expansion of access to primary education and 78% that they promote environmental sustainability. Approximately four in ten (44%) each said their projects reduce poverty and hunger, promote gender equality and the empowerment of women, and combat HIV/AIDS, malaria or other diseases. Smaller numbers (33% each) felt that the CSR program undertaken by their firm promotes global partnerships for development and contributes to the reduction of child mortality. One in five (22%) reported that their program serves to improve maternal health.

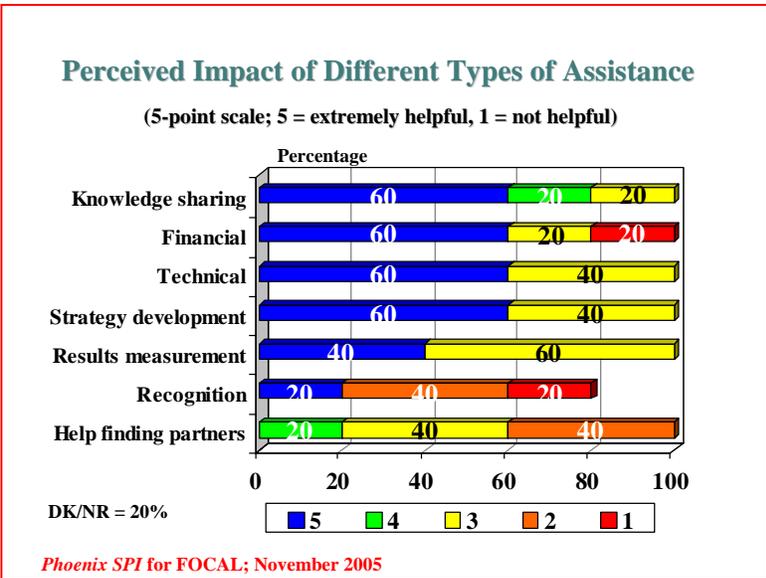


PERCEPTIONS OF FIRMS WITH NO CSR PROGRAM

Among surveyed firms that do not currently have a CSR program, the main reasons offered were a lack of resources – both financial (80%) and personnel (60%). Following this, a host of reasons were identified by smaller numbers, including that they prefer to focus on marketing/sponsorship engagements or charitable/philanthropic giving, that they lack the ability or knowledge to carry out a program, and that they do not see the need for a program. Other reasons include the fact that their company has not yet begun to operate in the country so they have no full-time staff and that their firm’s activities are only in a preliminary phase at this point.



Four in ten think that a government-support program would increase the likelihood of their company having an external CSR program or projects. Conversely, 20% do not feel that this would have an impact and 40% are uncertain.



In terms of the type of assistance or support that would be most helpful, 80% pointed to sharing knowledge or best practices. Following this, 60% each indicated that financial, technical, and strategy development would be *extremely* helpful assistance. Beyond this, there was no consensus among the surveyed business executives.

APPENDIX



FOCAL

Canadian Foundation for the Americas
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Fundación Canadiense para las Américas
Fundação Canadense para as Américas

1, rue Nicholas Street,
Suite/Bureau 720
Ottawa, Ontario
K1N 7B7 Canada
Tel/Tél : (613) 562-0005
Fax/Téléc : (613) 562-2525
E-mail/Courriel : focal@focal.ca
www.focal.ca

EXTERNAL CSR PRACTICE SURVEY

This survey, which should take 15 minutes to complete, is designed to gather information on contributions to community and environmental development made by Canadian companies operating in Latin America and the Caribbean. The survey aims to assess the types of projects undertaken, the amounts invested and the constraints faced. The focus of this particular questionnaire is on Canadian companies operating in Chile.

Please be assured that all information will be treated with complete confidentiality. No individuals or organizations will be identified in any way.

You may complete and return the survey, by **September 1st, 2005**, in one of two ways:

1. Print the email attachment, complete the questionnaire, and return it by fax to Phoenix at 1-613-260-1300. OR
2. Save the attachment on your computer. Open the file and complete the questionnaire electronically. To enter responses, use your mouse to click a response or type your answers into the box. To move through the questionnaire, use your mouse or the "TAB" or "ARROW" keys on your keyboard. When you have completed the survey, save it once more and return it as an attachment by email to focalsurvey@phoenixspi.ca.

External CSR is defined as an investment of company resources – financial, staff and in-kind – in community development and environmental stewardship projects. These investments produce direct returns for a company and significant public goods. Examples are investments in basic education or public health that improve worker productivity, investments in non-traditional supply chains that target marginalized populations while reducing the cost of entering new markets, investments in capacity building of community organizations that secure a license to operate, programs that reduce worker recruitment/retention costs, and environmental stewardship programs that lower insurance costs or operating risk.

1. Does your company have an external CSR program in Chile as described above?

- Yes
 No

If you checked **NO**, please proceed to the next page and complete only that section of the survey.

If you checked **YES**, please skip the next page and fill out the remainder of the survey.

FOR COMPANIES THAT DO NOT HAVE AN EXTERNAL CSR PROGRAM

A. Why does your company not have an External CSR program in Chile? **Check all that apply.**

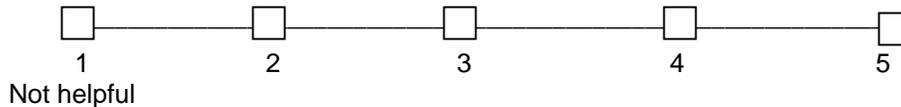
- Do not see need for program
- Do not see benefit in having a program
- Lack of suitable partners/opportunities
- Lack of ability/knowledge to carry out program
- Lack of resources/personnel to carry out program
- Lack of budget/financing to carry out program
- Worry about incurring obligations/expectations
- Prefer to focus on charitable or philanthropic giving
- Prefer to focus on marketing/sponsorship engagement
- Other. **Please specify:**

B. Would a government-support program increase the likelihood of your company having an external CSR program or projects?

- Yes
- No
- Uncertain

If **YES** or **UNCERTAIN**,

C. What type of assistance or support would be most helpful? Please use a 5-point scale, where '1' means not helpful, and '5' means extremely helpful. **Place your scores in the table below.**



Extremely helpful

	Score (1-5)
Financial assistance	
Technical/implementation assistance	
Help finding partners/identifying projects	
Strategy development assistance	
Help measuring results/impact	
Sharing knowledge/best practices	
Recognition/awards/publicity	
Other	

Please specify other:

THANK YOU FOR YOUR PARTICIPATION

Please return the questionnaire to Phoenix by fax (1-613-260-1300) or by email to focalsurvey@phoenixspi.ca.

FOR COMPANIES THAT HAVE AN EXTERNAL CSR PROGRAM

General

The following questions concern CSR activities in Chile in which your company has direct involvement in initiating or managing the projects. Non-direct activities, such as donations to NGOs or charities should not be included.

1. Which of the following areas do/does your program(s) cover? **Check all that apply.**

- Capacity building for community organizations
- Health, such as HIV/AIDs prevention, supporting community clinics
- Education, such as adopting schools, literacy programs, teacher training
- Environmental protection, such as reforestation, sanitation, monitoring
- Supply Chain, such as development of local supply chain with poor or non-traditional suppliers
- Specific support to Indigenous/Afro-Latino community development strategies
- Children/Youth programming
- Women/Gender programming
- Other. **Please specify:**

2. How do you carry out these programs? **Check all that apply.**

- Finance partner to implement and manage programs and projects
- Direct company operation and implementation of programs and projects
- Joint operation of programs and projects with partner
- General community or small grants fund
- Volunteerism – company programs to support volunteerism by staff
- Staff secondment – staff working in NGOs, or with community projects, or serving on boards
- Other. **Please specify:**

Investment-Specific

3. In your most recent fiscal year, approximately how much has your company invested in Chile for external CSR program(s) as outlined in question 1? Please record the value of such investments or provide your best estimate. It is important that we obtain a reasonably accurate measure of the size of the investment, but this does not need to be exact.

In Canadian \$:

In staff time (person days):

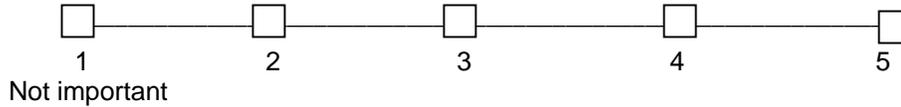
4. Is there staff dedicated to/in charge of carrying out and monitoring external CSR activities?

Check all that apply.

- No
- Yes, full-time
- Yes, part-time

- Yes, outside consultant(s)
- Yes, staff and consultants

5. What prompted your company to invest in external CSR programs? Please use a 5-point scale, where '1' means not an important factor at all, and '5' means an extremely important factor. **Place your scores in the table below.**

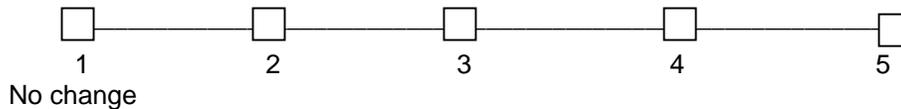


Extremely important

	Score (1-5)
Pre-existing company policy	
Existing social issues affecting operations	
Concern over social issues; acceptance of your firm's social right or ability to operate in the country (i.e. social license)	
The right thing to do	
Other	

Please specify other:

6. What value does your company expect to receive from its external CSR programs and how is the budget justified? Please use a 5-point scale, where '1' means you expect no change in that area, and '5' means you expect a big change. **Place your scores in the table below.**



Big change

	Score (1-5)
Reduced project risk (e.g. political, blockages, protest)	
Increased access to capital	
Increased productivity through health or training investments	
Enhanced corporate reputation	
Other	

Please specify other:

Partnerships

7. Does your company partner with other organizations in the design, implementation or funding of external CSR programs? **Check all that apply.**

A) If **Yes**, with:

Organization	Type of Partnership			
	Design	Implemen- tation	Funding	NA
Specialty NGOs (e.g. health, education, environmental)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development agency (e.g. World Bank, CIDA, USAID)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consulting firms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other companies or business association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please specify other:

B) If **No**, why not? **Check all that apply.**

- Considered it more cost-effective to go it alone.
- Did not realize partner organizations existed.
- Unable to find suitable partner organization.
- Concerned about integrity of company information.
- Other. **Please specify:**

Assistance

8. Has the company received assistance? **Check all that apply.**

- No, have not received any type of assistance. **Go to Question 11.**
- Yes, have received assistance. **Fill in table below, where appropriate.**

Source of Assistance	Type of Assistance		
	Financial	Technical Assistance	Other
Canadian government (e.g. CIDA, CIDA Inc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
U.S. government (e.g. USAID, IAF)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Multilateral (e.g. IADB, World Bank, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CSR organization (e.g. BSR, IBLF, WBSCD)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local or national government agency.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NGO or community organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please specify other:

9. Was the assistance useful? **Please check one.**

- Yes
- No

10. How could the assistance have been more effective?

Please explain.

SKIP QUESTION 11 IF COMPANY RECEIVES ASSISTANCE:

11. If your company did not receive assistance, why not? **Please check one.**

- Did not want assistance.
- Did not know where to seek assistance.
- Asked for assistance, but it was not granted.
- Asked for assistance, but process was too bureaucratic.
- Other. **Please specify:**

SKIP QUESTION 12 IF COMPANY DOES NOT RECEIVE ASSISTANCE:

12. In what areas could your company most use assistance? **Check all that apply.**

- Technical assistance in project design/selection
- Best practices
- Project co-financing
- Partnership brokering, including finding and working with NGOs, etc.
- Other. **Please specify:**

Results

13. How are results or Return on Investment (ROI) for external CSR programs measured? **Please check all that apply.**

- Do not measure results/ROI.
- Company devised framework.
- Global Reporting Initiative.
- Corporate Impact Reporting (Winning with Integrity) Framework.
- World Business Council for Sustainable Development.
- Grassroots Development Framework.

- CR Assessment Tool/Canadian Centre for Business in the Community
- Other. **Please specify:**

Millennium Development Goals

Canada has taken a leading role in advocating private sector contributions to meeting the UN Millennium Development Goals through Prime Minister Paul Martin co-chairing a high-level “Commission on the Private Sector and Development” and co-authorship of “Unleashing Entrepreneurship: Making Business Work for the Poor.”

14. Do your company’s external CSR projects contribute to meeting any of the following Millennium Development Goals? Mil-

- Reduce poverty/hunger
- Expand access to primary education
- Promote gender equality/empowerment of women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria or other diseases
- Promote environmental sustainability
- Promote global partnerships for development

Background Information

These last questions are for background purposes only. Please remember that your responses to these and other questions will be kept completely confidential.

15. In which industry or sector does your company operate?

Industry:

16. In total, how many employees work for your company in Chile? By this, we mean both full-time and part-time staff. Please include part-time staff as full-time equivalents.

- 1-19
- 20-49
- 50-99
- 100-199
- 200-500
- Over 500

17. What is your position within your company?

Position:

That completes the survey. Thank you. Your participation is greatly appreciated.
Please return the completed questionnaire to Phoenix by fax (1-613-260-1300) or by email to (focalsurvey@phoenixspi.ca).