9 PRIVATE SECTOR AND CORPORATE SOCIAL RESPONSIBILITY IN DEVELOPMENT COOPERATION IN CENTRAL AMERICA

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Introduction

The concept of Corporate Social Responsibility (CSR) has become a topic of interest in the system of international cooperation and development at the global level. A clear definition of this concept states that it is "a form of management that is defined by the company's ethical relationship with shareholders, and by the establishment of business goals that are compatible with respecting diversity and promoting the reduction of social inequalities".[1] In the same vein, the International Labour Organisation (ILO) defines corporate social responsibility as "the set of actions taken by enterprises to ensure that their activities have a positive impact on society and that they affirm the principles and values by which they are governed, both in their own internal methods and processes and in their relations with other actors". [2]

In other definitions, the antecedents of Corporate Social Responsibility are directly linked to concepts such as cooperativism and associationism, which implicitly seek a balance between business efficiency and principles of justice and democracy.[3] The Organisation for Economic Co-operation and Development (OECD) defines it in terms of private sector involvement. It establishes the following types and modalities of intervention: "structured" public-private partnership (PPP) initiatives and programmes; traditional infrastructure financing through loans and net assets; donor-funded technical assistance to the recipient government to increase infrastructure capacity; capacity building of small and medium-sized enterprises (SMEs); trade facilitation; and trade and loan facilitation.[4]

When we talk about private sector finance, we refer to entities that are entrepreneurial in nature. A variety of entities stand out: non-financial multinational companies, private non-agricultural national companies, state-owned national companies, large-scale agricultural national companies, cooperatives and small-scale farmer groups, and non-agricultural SMEs, among others.

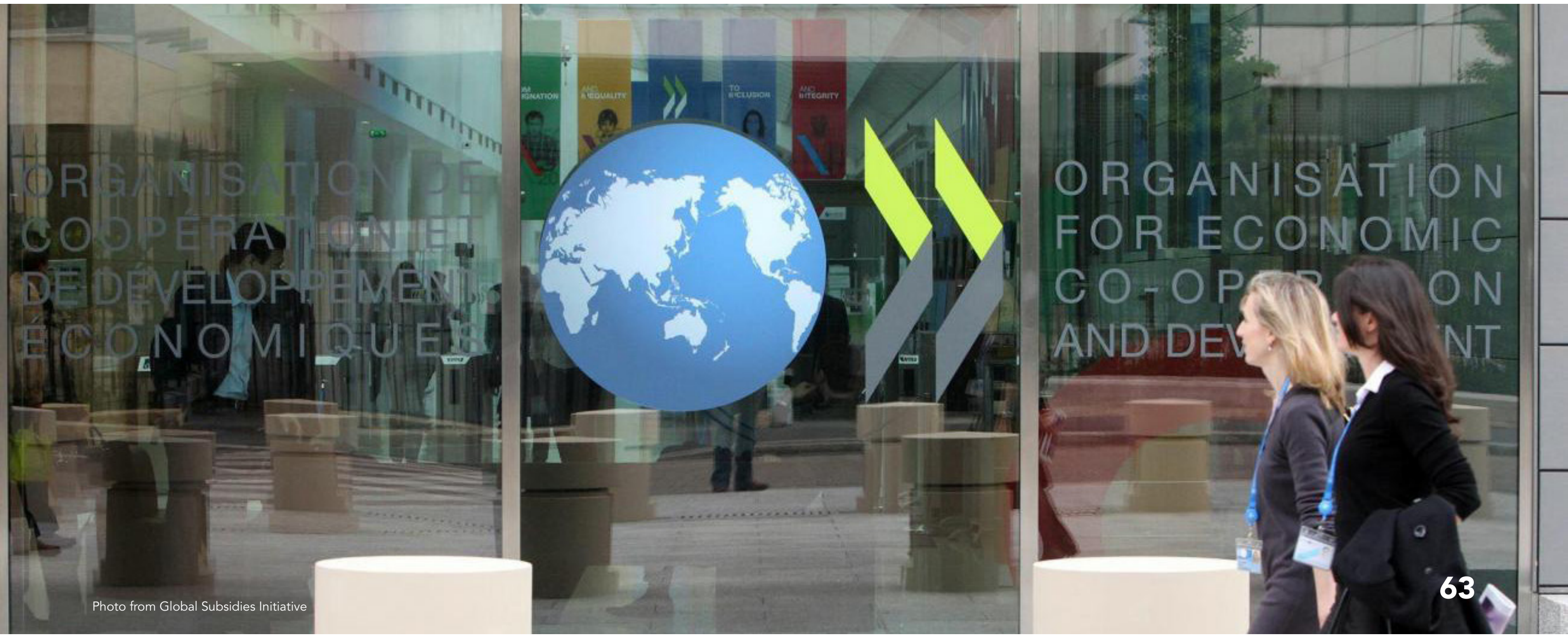


Photo from Global Subsidies Initiative

[1] Rodríguez, J., & Abreu, J. (2009). Corporate social responsibility legislation. Daena (International Journal of Good Conscience), 150-225.
[2] ILO. (2007). Tripartite declaration of principles concerning multinational enterprises and social policy. Tripartite declaration of principles concerning multinational enterprises and social policy. Geneva: ILO.
[3] Morales, H. (2014). Financiación del Sector ONG: Retos y Desafíos. Guatemala: Mesa de Articulación de ONG.
[4] OECD. (2012). El sector privado y su papel en el desarrollo: una perspectiva sindical. Confederación sindical internacional.

In the different international forums where the future of financing for sustainable development has been debated (from the Monterrey Consensus in 2000 to the Kampala Declaration in 2019), there has been a tendency promoted by international organisations (UN, World Bank, OECD, European Union, G20, among others) to link big capital with development and social responsibility issues. At the 2002 World Summit on Sustainable Development in Johannesburg, South Africa, the concept of corporate social responsibility began to take hold. At the Busan High Level Forum, various measures were taken to promote a greater role for the private sector in development and finance. Undoubtedly, it was in Kampala in March 2019, through the approval of the Kampala Principles for Effective Private Sector Engagement through Development Cooperation (inclusive country ownership, specific results and impact, inclusive partnership, transparency and accountability and leaving no one behind), where the role of the private sector in contributing to development outcomes was regulated, established and legitimised in both global and national levels.[5]

Since the UN created its Global Compact strategy, several tools have been developed for the private sector to become a strategic actor in a global partnership for development, especially in support of the Sustainable Development Goals (SDGs). Under the compact, businesses express their commitment to uphold the principles on human rights, labour, environment and anti-corruption in conducting their business activities.[6]

In the framework of the European Union's "Agenda for Change", formalised in 2011, there is a clear interest in continuing to promote and guarantee the participation of the private sector in its development strategies. The programme proposes that grants be combined with private loans to strengthen public-private partnerships (PPPs). This strategy was concretised through the application of legal instruments for its implementation, such as the "platform for foreign cooperation and development" created in 2013, which sought to take advantage of and make "optimal use" of the combination of grants and loans with the business sector. Other strategically important international fora such as the G20 Summits also promote and support the strengthening and participation of the private sector in global development processes.

Figure 1: Total official and private flows of donor countries from 2010 to 2021, in thousands of USD

Donor	DAC Countries, Total												
Part	1 : Part I - Developing Countries												
Amount type	Current Prices												
Fund flows	Net Disbursements												
Year		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Aid type	Unit												
5: TOTAL OFFICIAL AND PRIVATE FLOWS (I+II+III+IV+V)	US Dollar, Millions	512 791.97	504 700.70	477 702.00	450 381.95	587 731.41	316 042.90	317 695.17	434 750.23	297 610.24	407 957.55	205 215.22	..
1010: I. Official Development Assistance (ODA) (I.A + I.B)	US Dollar, Millions	128 483.69	135 111.20	127 029.63	134 846.83	137 538.76	131 563.12	144 920.53	147 158.39	150 043.86	146 510.69	162 585.98	177 637.00
1210: I.A.2.1. Core support to NGOs, other priv. bodies, PPPs & research institutes	US Dollar, Millions	2 969.93	3 206.91	2 858.24	3 337.07	3 549.20	3 852.72	3 697.38	3 709.01	3 763.59	3 594.46	4 438.59	..
1211: I.A.2.1.a. Core support to donor country-based NGOs & civil society	US Dollar, Millions	1 568.89	1 475.20	1 509.76	1 915.48	2 069.79	2 365.25	2 291.20	2 196.98	2 141.03	2 065.00	2 343.12	..
1212: I.A.2.1.b. Core support to international NGOs (including developing country-based NGOs)	US Dollar, Millions	782.07	830.79	844.49	857.73	937.86	999.70	820.38	783.78	898.39	839.45	825.36	..
1213: I.A.2.1.c. Core support to Public-Private Partnerships (including networks)	US Dollar, Millions	293.88	463.16	98.33	234.12	189.42	164.86	216.51	293.87	198.47	165.85	617.96	..
1903: I.A. Memo: ODA channelled through private entities	US Dollar, Millions	13 152.75	15 219.35	14 399.07	14 905.81	15 784.08	14 481.24	14 581.51	15 407.68	15 362.00	15 423.77	16 135.43	..

Source: OECD-DAC, https://stats.oecd.org/Index.aspx?DataSetCode=Table1#

For a better understanding of the leading role that the international community established for the private sector, Figure 1 shows how financial flows have maintained an upward trend in recent years, with an annual average of close to USD 15 billion worldwide. Out of the overall ODA, USD 16 billion is disbursed to private entities, while only USD 2 billion is channelled through international NGOs.

This demonstrates the support and growth of the private sector in the perspective of corporate social responsibility vis-à-vis governments, financial institutions and multilaterals. Business has been demanding an "equal partner" status in relation to the role played by governments, donors and multilaterals. The private sector is demanding greater participation in government decisions and an enabling environment for business activities. It demands that states

[5]Global Partnership for Effective Development Cooperation. (2019). Kampala Principles on Effective Private Sector Engagement in Development Co-operation. https://www.effectivecooperation.org/system/files/2019-07/Kampala%20Principles%20-%20final.pdf.
[6]United Nations Global Compact. (n.d.). Our Mission. https://www.unglobalcompact.org/what-is-gc/mission.

reduce the obstacles to their intervention, such as reforms to the property rights system, reforms to tax systems, access to state services. The private sector also demands that development aid mobilises private sector investment (loans that can be granted by the private sector), and that development aid contributes to reducing risk management and exposure to the private sector.

CORPORATE SOCIAL RESPONSIBILITY IN CENTRAL AMERICA

Multinational and national companies, which assume a philosophy of social or corporate responsibility, generally use foundations to implement this work. All large companies currently engaged in CSR are formally represented by their own foundations. There are various definitions of what a foundation is. The concept varies according to the type, nature and objectives of each body. Among the most common definitions: "A foundation is a type of legal entity that is characterised as a non-profit organisation." It is endowed with its own patrimony granted by its founders. One of the characteristics of foundations is that they have legislation that allows them tax benefits.

Two types of foundations can be identified, private and public. Among the characteristics that differentiate them is that in private foundations, the majority of their funds come from an individual, family or corporate source. It is important to identify that these institutions are mostly identified as a foundation, association, centre, fund or trust. A public foundation, in contrast, normally receives its assets from multiple sources, which may include private foundations, individuals, government agencies, and fees for services. Moreover, a public foundation must continue to raise money from a variety of sources in order to retain its public status.[7]

In terms of development, most studies on foundations agree that their work is broad, diverse and very similar to that of NGOs. They develop activities in all fields: social, economic, cultural, environmental and political. Unlike the NGO sector, private foundations generally have greater financial certainty, which allows them to establish and develop longer-term strategies.

At the regional level of Latin America and the Caribbean, there is the Network for Central American Integration for Corporate Social Responsibility (INTEGRARSE). It is an alliance of organisations and foundations whose main purpose is "to stimulate a permanent culture of corporate social responsibility in the business community of the region and contribute effectively to sustainable development and regional integration".[8] INTEGRARSE is a regional network that seeks to position itself as a promoter of CSR in Latin America and globally. They are a reference point for various international financial and integration bodies, with whom they implement projects. The network has four main strategic objectives: to promote CSR as a management model to achieve competitiveness and sustainable development; to strengthen efforts to disseminate CSR throughout the different sectors, including small- and medium-sized enterprises; to bring the productive sector closer to various stakeholders to create channels of communication and collabouration; and to strengthen Central American integration through CSR.

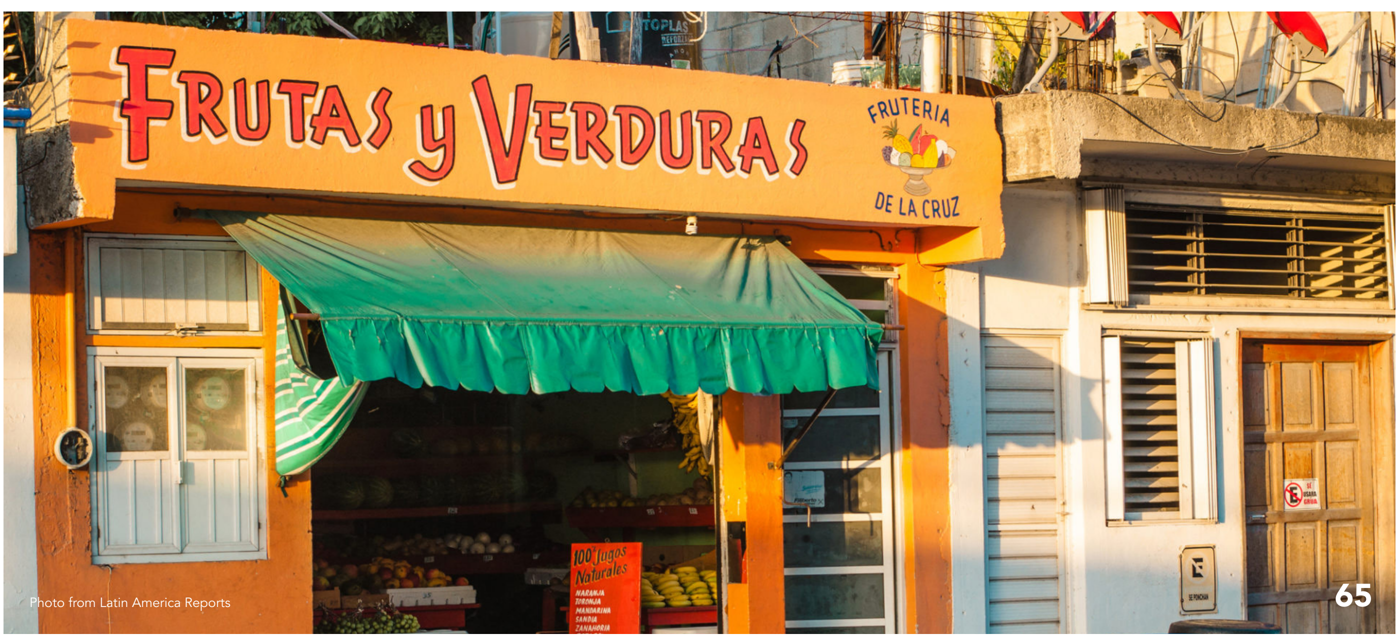


Photo from Latin America Reports

[7]OECD. (2003). Fundaciones Filantrópicas y Cooperación al Desarrollo (Vols. Volumen 4, No. 3). Paris. Obtenido de http://www.oecd.org/dac/stats/31670558.pdf
[8]INTEGRARSE. (2018). ¿Quiénes somos?. https://integrarse.org/en/quienes-somosnuestro-enfoqueproyectos-regionalesherramientas-regionalesnoticiassala-de-prensaorganizaciones-miembrosactividadesplan-estrategico-recursos-proyectos-destacados-noticias-nuestros-m/.

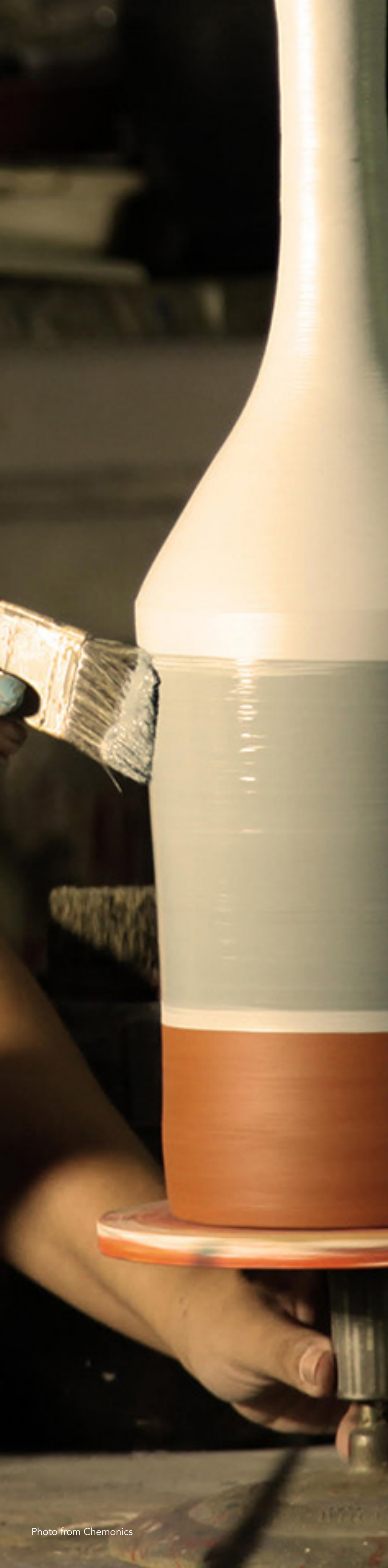


Photo from Chemonics

In the area of the SDGs, they have a strategic alliance with the UN Global Compact. In 2020, the INTEGRARSE Network was made up of more than 900 members (companies, individuals, NGOs, unions and universities), with 94 technical staff members and 48 projects implemented. In Central American countries, several entities represent companies by country and are active members of the network, which made a commitment to incorporate CSR as a form of business management.

In Guatemala, several private foundations are also present, these promote corporate social responsibility initiatives and have an active presence in the country. There are two networks of foundations: the Council of Private Foundations (CFPG) and the Centre for Corporate Social Responsibility Action in Guatemala (CENTRARSE). The two networks bring together the largest foundations. Most of these foundations come from national companies related to sugar, coffee, commerce, services, industry and tourism, among others.[9] CENTRARSE, according to its statutes, is a private, autonomous, associative, apolitical, non-profit and extra-organisational organisation. CENTRARSE currently has more than 100 associated companies that belong to more than 20 productive sectors and sub-sectors and employ 150,000 families. [10]

In El Salvador, private foundations have been established for several decades. Most of these foundations belong to agro-export and service companies. In 2000, several companies set up the Fundación Empresarial para la Acción Social (FUNDEMAS) or Business Foundation for Social Action, which was created "to contribute to the economic, social and environmental development of El Salvador by strengthening CSR in organisations."[11] FUNDEMAS currently has more than 200 active members. It coordinates actions with the UN, international financial institutions, international cooperation agencies, and the municipal government of San Salvador, among others.

Foundations in Honduras, similar to other countries in the region, have been established as the social arms of agro-export and service companies. In 2003, the Fundación Hondureña de Responsabilidad Social Empresarial (FUNDAHRSE) or the Honduran Foundation for Corporate Social Responsibility was established. It is the most important entity that brings together various companies, foundations, organisations and guilds that have CSR as part of their philosophy. The foundation is a non-profit, non-political, non-religious organisation, with an objective of promoting CSR in order to contribute to sustainable economic development. [12] It currently has more than 140 member companies.

In Nicaragua, the Unión Nicaragüense para la Responsabilidad Social Empresarial (uniRSE) or the Nicaraguan Union for Corporate Social Responsibility was established in April 2005. It is the network with the largest number of members in the field of CSR. The network is categorised as a non-profit organisation with currently more than a hundred members from the private sector. uniRSE aims to promote CSR as a new way of doing business, where the company manages its operations in an economically, socially and environmentally sustainable way, while also recognising the various interests of its stakeholders. It is integrated into several regional initiatives, such as the Hemispheric Network of CSR Fórum Empresa, the INTEGRARSE network and the national chapter of the World Business Council for Sustainable Development.[13]

[9] CFPG. (2022). http://es.wiser.org/organization/view/317514cc142ed397ab86f20850941643.
[10] CENTRARSE. (2022). Cámaras, Gremiales, Asociaciones y Academias. https://centrarse.org/camaras-gremiales-asociaciones-y-academias/.
[11] FUNDEMAS. (2021). http://www.fundemas.org/index.
[12] UNIRSE. (2022). http://unirse.org/.
[13] AEDCR. (2022). http://www.aedcr.com.

In Costa Rica, the Asociación Empresarial para el Desarrollo (AED) was established in 1997. AED's mission is to promote a new culture of corporate social responsibility that allows, through direct participation, volunteering, alliances and strengthening of non-profit institutions, to promote sustainable human development in the country. It adopts public-private partnerships, and unites the efforts of the business sector, the state and civil society organisations to achieve greater inclusion and social cohesion. The AED is an alliance of more than 110 private and public companies fostering good practices towards the different stakeholders in business management, aiming for more sustainable relations in a society with greater economic, social and environmental development. [14]

In Panama, meanwhile, there is the SumaRSE Network, which was established in 2009. It is a non-profit association that promotes the incorporation of CSR as a way of doing business and a competitive strategy, so that companies contribute to the country's socio-economic growth and sustainable development. With more than 200 entities encompassing the private sector and civil society, it seeks to promote CSR and adherence to the Global Compact principles as a way of doing business and as a competitive strategy.[15]

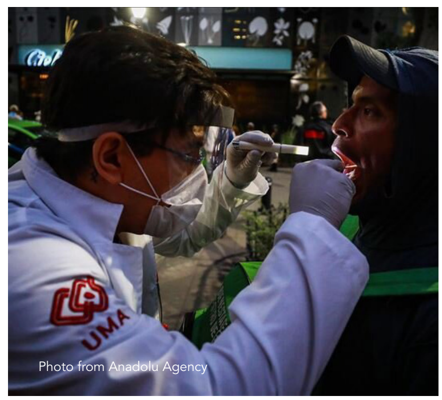
GUATEMALA, CASE STUDY OF THE WORK DONE BY COMPANIES-FOUNDATIONS IN THE FRAMEWORK OF CSR AND THE SDGs

In Guatemala, a committee of the various platforms and foundations related to CSR was formed, which together with academia and other bodies, collabourated with the government to prepare Voluntary National Review reports (VNRs) in the framework of the country's compliance with SDGs. In the 2021 VNR, this commission presented an annex of the work that the company-foundations carried out in relation to each of the SDGs in the report, Actuando en el presente, pensando en el futuro. According to the VNR, the private sector developed 99 actions implemented by its chambers and business sector organisations oriented to the National Development Priorities (NDP) and the SDGs.[16]

Kampala Principles Assessment

Kampala Principle 1: Inclusive country ownership

According to the report, the CSR arms of companies that participated worked with the national government to pursue programs that are aligned with the National Development Priorities and the SDGs. In the context of the COVID-19 pandemic, the private sector states that it was a strategic partner with the government in developing the General Emergency Response Plan for COVID-19 and the implementation of the National Emergency and Economic Recovery Programme. In 2020, it developed a variety of preventive and reactive actions that contributed to reducing the impact of the health emergency.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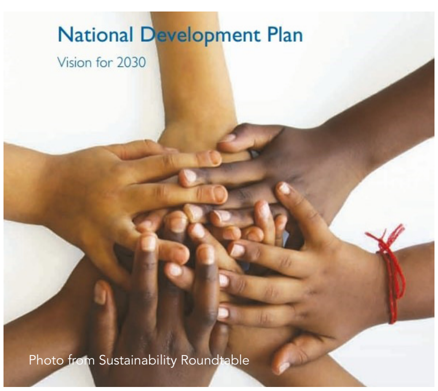

Photo from Sustainability Roundtable

Kampala Principle 2: Results and targeted impact

Under the development priority of poverty reduction and social protection (SDG 1 and 10), the private sector developed various activities for capacity building in the framework of sustainable development and the SDGs, according to the report.

These include standardisation of sustainability concepts, integration of a technical support team and the creation of the Sustainability Roundtable composed of seven chambers of commerce and four business sector organisations. These actions that represent 9.9% of the interventions were aimed at addressing SDGs 1, 5 and 10. The priorities established were in capacity building in the areas of health, education, family economy, nutrition and housing. In the area of SDG 5 (gender equality), women's committees and congresses were formed, while training activities were conducted to set up small community enterprises.

The area of NDP on food and nutrition security (SDG 2 or zero hunger) was oriented towards addressing the needs of children as a vulnerable population. In this area, priority was given to addressing the goal in order to advance food security, improve nutrition and promote sustainable agriculture, which compose 5.5% of the actions. According to the

[14]SUMARSE. (2022). Somos SUMARSE. https://www.sumarse.org.pa/sumarse-pacto-global/.
[15]FUNDAHRSE. (2022). http://fundahrse.org/.
[16]Segeplan. (2021). Revisión Nacional Voluntaria 2021: avanzando hacia la década de la acción. Informe sobre la participación del Sector Privado. Guatemala: Segeplan.

report, efforts have been established to reduce socio-economic inequalities and combat hunger, obesity and malnutrition among the most vulnerable populations.

The national priority in the area of access to health services (SDG 3 or good health and well-being) accounted for 12.12% of the total actions done. These activities were implemented by four of its member chambers. As a result, they claim to have contributed to preventing illnesses and mitigating the impact of health on labour productivity. An average of 40,000 preventive and curative health interventions were carried out nationwide.

Kampala Principle 3: Inclusive partnerships

In the area of NDP on investment and employment (SDG 8 or decent work and economic growth), the largest contribution of private sector collabourations was recorded with 36.37% of total actions. According to the report, all chambers and organisations participated in achieving this goal. Their priority has been to contribute to the creation and improvement of formal employment and strengthening of the country's productive capacities.

In the National Development Priority areas, including the preservation of natural resources (SDG 12 and 13), the private sector reported that the actions generated represented 6.6% of its contributions. The aim was to give an integral economic value to the functions and services. Another priority was to give value to the environmental services offered to the population so that the measures or decisions are within the framework of sustained planning (nine companies were certified as "green offices").

In the priority area related to institutional strengthening, security and justice (SDG 16), actions contributed to the generation of effective, accountable and transparent institutions at all levels. For the private sector, this priority is strategic because of its direct link with the public sector in institutional strengthening. In this field, the efforts developed represented 31.31% of the total interventions.

Kampala Principle 4: Transparency and accountability

A total of 136 interventions were done, which had a positive impact on 113 municipalities, 4,765 companies, 11 sugar mills and 5 private organisations. In terms of population, it was estimated that 3,455,000 people benefited from these actions. The investment contributed to the development of the 136 actions is said to have reached USD 7,932,000. Several actions were developed to mitigate the impact of COVID-19, including information campaigns, prevention, isolation days, capacity building in occupational health and safety, among others. For the national economy, the private sector implemented economic reactivation initiatives through productive credits, especially for MSMEs.

Kampala Principle 5: Recognising, sharing and mitigating risks for all partners

Transnationals and large economic enterprises see in the CSR or corporate modality the possibility of accessing, under an altruistic and humanist perspective, new and diverse economic initiatives offered by the global system of ODA.

From a critical perspective of social organisations and movements, the private sector can be a strategic social agent of development. However, there is a risk that these mechanisms tend to justify, legitimise and validate the illegal and destructive actions of big businesses, such as economic plunder, violations of human rights, exploitation and irrational use of natural resources, among others.

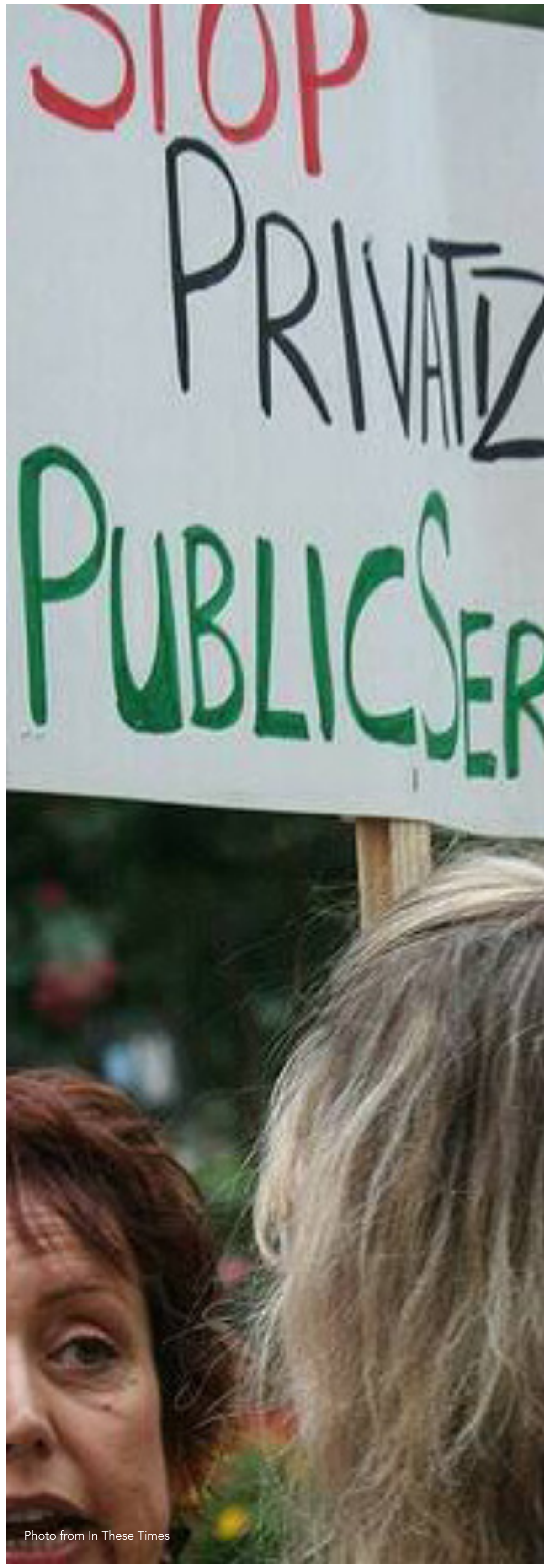

Photo from In These Times

CSR and its leading role in defining and implementing the financial strategies they promote contribute to the further marginalisation of states in their role and responsibility in promoting development for its people. In exchange, companies are demanding a more belligerent role in the management of public administration, which can be seen in the privatisation of state companies and services, deregulation, increasing debt and favouring more tax privileges for the private sector.

Multinational companies (MNCs) have been questioned whether or not they really practice socially responsible, ethical and philanthropic behaviour while presenting themselves as development actors. Governments of countries where MNCs are present, meanwhile, always try to legitimise their investment through their supposed economic benefits.

At the same time, finances that can be coursed through NGOs and CSOs are channeled to the private sector, through their foundations. This will directly affect the work done by NGOs and the communities they serve as they face limits on their funding.

CONCLUSION

According to the sectors and programmes used by the OECD to classify the distribution of donor countries' ODA, private investment largely manifests in building infrastructure, providing economic services and facilitating production. These activities in practical terms are directed and developed for the private sector to promote.

With all the initiatives, guidelines and priorities of international financial institutions, multilateral bodies and governments to guarantee the participation of the private sector as a strategic actor in development, what exists is the transformation of financial assistance into a market niche where the main interests are investment, trade and international geopolitics.

Guidelines such as the Total Official Support for Sustainable Development (TOSSD), the Kampala Principles, rather than measures to make ODA efficient, are strategies aimed at privatising ODA and making the private sector play a leading role through the promotion of private investment, soft loans and credits. Among the most evident risks of TOSSD is that non-reimbursable ODA will gradually decrease.[17]

The lack of coherence in current ODA policies, the tendency for greater flows of reimbursable aid over non-reimbursable aid, and the inclusion of the private sector as an agent of development in the framework of corporate social responsibility or in public-private partnerships, raise doubts about the type of development cooperation towards which we are moving. [18]

ODA is progressively shifting its humanistic logic towards a reimbursable financing perspective, in the form of loans and credits. In this regard, "if ODA does not generate changes in terms of its criteria and policies, its contribution to addressing the pandemic will be minimal, contrary to the expectations of the recipient countries."[19] ODA arriving as grants has been gradually decreasing, from 72% in 2010 to 61% in 2019 of total ODA. In other words, 39% of ODA currently comes as reimbursable assistance.[20]

Prior to the pandemic, it was evident that SDGs were not being reached. Non-compliance of these goals according to the established plans was a possibility, especially due to the reduction of financing for their fulfilment. Now, in the midst of 2022 and given the impacts that the current crisis is generating, the chances of making satisfactory progress with Agenda 2030 are more improbable. Recipient countries will substantially change their investment priorities and the trend is that agendas such as the ones on the climate crisis and the SDGs, among others, will not be a priority. Similarly, donors (bilateral and multilateral) will not be able to meet their commitments and mandates to increase ODA, which will negatively impact the fulfilment of their agreement to financially assist these agendas.

[17] Domínguez, R. (2020). Cooperación Internacional, nuvos actores e instrumentos: perspectivas contemporaneas. Quito: IAEN.
[18] IBON International. (2017). Asociaciones Público-Privados (PPP). Philippines.
[19] Scotto, S. (2020). Lecciones de la crisis en las estadísticas de ayuda exterior. París. https://devinit.org/resources/aid-data-2019-2020-analysis-trends-before-during-covid/.
[20] OECD-DAC. (2021). http://www.oecd.org/dac/.

RECOMMENDATIONS

Today, development assistance is at a crossroads. From being a redistributive mechanism aimed at supporting global efforts to improve the social and economic well-being of the most marginalised and excluded populations, it has increasingly become more of a mechanism for channelling funds to promote economic growth based on certain trade rules and to promote the market economy.

In Central America, there is no orderly follow-up to the Kampala Principles. Moreover, these principles are not publicly known. There are no mechanisms for dialogue or interlocution between CSOs, the private sector, governments and the international community. There is a lot of work to be done for CSOs to take up the challenge of monitoring or following up on these principles. The Kampala Principles can be a useful tool for civil society organisations to critically and objectively monitor and evaluate the role of the private sector as a strategic development actor. At the same time, these principles tend to validate and legitimise the private sector's efforts to dominate the official development assistance system.

It is necessary for NGOs and CSOs in general to reflect on these new privatising and economist tendencies towards which development aid is being oriented, with the participation of the private sector. It will be necessary to evaluate if they are contributing to the social legitimation of transnationals by entering into the dynamics of alliances for the implementation or management of financial resources. The trend to promote big businesses as a strategic agent of development, as referred to by the UN itself, leads us to conclude that private companies are already a strong competitor to the NGO sector in the field of development.

The ability of private foundations to mobilise national and international financial resources is important. Foundations have established regional and global coordination networks that make them strong and capable interlocutors with the institutional, financial and political conditions to dominate and play a leading role in the international development assistance system. In many countries, the private sector has managed to deploy lobbying and advocacy strategies on development issues and to be a point of reference for governments in the implementation of Agenda 2030. By their nature, they have more room for participation in the state than the development NGOs.

In this regard, the case study forwards the following recommendations:

- In partnering with the private sector, CSOs have to determine if, fundamentally, the private sector historically have been responsible in violating human rights, contributed negative impacts on the communities and the environment, have transparent and ethical financial transactions, among other factors.
- An in-depth analysis of the Kampala Principles will be a priority, so that these can be used as the basis for a monitoring and social auditing process that can be carried out on the private sector and governments, in the context of Agenda 2030
- A diagnosis of the role of the private sector in Central America in the field of corporate social responsibility has to be conducted. This will allow CSOs to establish an action plan to follow up and monitor their actions, especially the fulfilment of their commitments and the objective in attaining SDGs.
- It will be necessary to generate mechanisms for dialogue between CSOs and the private sector in processes where governments and the international community should participate, in order to bring positions closer together and establish minimum agreements for coordination and joint work within the framework of the Agenda 2030.