

# CENTRAL AMERICA

## INVESTMENT FOR DEVELOPMENT

Baseline Study on Social Investment and Philanthropy



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This study has been developed by Red INTEGRARSE in Central America with financing and coordination with the Seattle International Foundation and with the support of the Spanish Agency of International Cooperation for Development (AECID) and the United Nations Fund for Children (UNICEF) in Panamá.

The study would not have been possible without the collaboration of the organizations that are part of Red INTEGRARSE; AED in Costa Rica, CENTRARSE in Guatemala, FUNDAHRSE in Honduras, FUNDEMAS in El Salvador, UNIRSE in Nicaragua and SUMARSE in Panama.

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**INVERSIÓN PARA EL DESARROLLO  
EN CENTROAMÉRICA**  
Estudio línea base sobre filantropía e inversión social



# EXECUTIVE SUMMARY

This document summarizes the results of the Baseline Study on Social Investment and Philanthropy in Central America, made by the INTEGRARSE network in a partnership with The Seattle Foundation, the Spanish International Cooperation Agency (AECID) and UNICEF, conducted between July and December 2015.

This summary includes the main findings and regional conclusions that are drawn from the six national studies; Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. To consult in depth national results, we encourage the reader go to each of the reports by country that complement each other and are part of this study.

The research process conducted was exploratory and was carried out in three phases.

A first stage where a general survey was designed and sent to more than 780 companies and 500 NGOs to learn about

topics to which are assigned resources for Philanthropy and social investment, the populations of interest in this field and the invested amounts

A second stage where personal interviews were conducted with business leaders and NGOs selected to deepen in specific topics and better understand how these investments are made.

Finally, as a third stage, focus groups were conducted in each country with a sample of companies and NGOs to validate and to have a better understanding of the findings obtained during the process.

The following main findings of the study have to be pointed-out:

The main subjects to which companies turn their social investment are education, in first place, followed by environment, health, employment and economic development of the community.

2 The population in which more is invested by companies are communities of direct impact of the company, followed by people living in poverty and children. The main populations served by NGOs are people living in poverty, childhood, adolescence and youth.

3 The origin of the resources given by the private sector for social investment is mostly national. For NGOs, resources come mainly from international cooperation and, to a lesser extent, public bodies.

4 In Central America 130 companies, mostly national, have invested an average of 134.7 billion dollars annually into projects and programs of social investment and philanthropy in the past three years.

5 In many cases, the social investment projects and programs of social investment by companies are not only aligned to the core of the business and their stakeholders, but also aligned to the main development challenges of the region.

6 Most companies implement long-term programs, except for those that support infrastructure investment, whose projects have to do mostly with the donation of materials and equipment.

7 Most companies have partnerships with NGOs and other organizations and institutions. However, partnerships are mostly for the implementation of specific social investment projects and not necessarily imply a strategic alliance of medium and long term. Nevertheless, there are some isolated experiences of public policy advocacy by organizations involved in social investment projects.

8 A major weakness in monitoring and evaluation of the impact of social investment activities has been observed. Few companies and NGOs measure the outcomes and impacts of their projects.

9 Internal communication is widespread and companies pay much attention to this issue. External communication is not something that interests them most; there are no specific communication budgets and even some companies expressed openly that they prefer to invest these funds in other areas than in communication.

10 It is necessary to strengthen the relationship and mutual understanding between the business sector and NGOs. On one hand, greater openness on the part of NGOs is required as to better understand the company, its business lines, its themes and target populations, as well as greater efforts to adopt mechanisms of governance, transparency and accountability that are reliable for businesses. On the other hand, companies should make an effort to understand the time frames required to produce social change and political changes for impact, rather than carrying out actions of little value and partnerships aimed more at the operational level.



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# PROLOGUE

*With the support of the Seattle International Foundation, the Spanish Cooperation Agency (AECI), the United Nations Fund for Children (UNICEF) and Red INTEGRARSE, the Baseline Study on Social Investment and Philanthropy was conducted in order to characterize and analyze the social investment and philanthropy carried out by the private sector in Central America.*



The findings of the study show that while there is a great willingness on the part of companies to build alliances, the need to strengthen their capacities to identify the materiality of the social investment, that makes sense to their business and what areas can contribute more to the society.

It is required that the NGOs provide an added value in their actions, having the technical capacity that differentiate them and they are abandoning the methodologies of fundraising for only maintain its structure.

It is imperative that organizations meet businesses, its business lines, which topics are materials for its social investment and can respond to, as well as strengthening their mechanisms of governance, transparency and accountability to ensure that they are reliable for their allies.

This sustainable development that we seek should be guided by a clear public

policy, to provide the frame of reference for the action and to dialog with all sectors and include their vision and needs.

In general, we have noticed that there is an urgent need to define and strengthen the mechanisms of articulation, communication, accountability and impact measurement, between the State, companies and NGOs.

This being the case scenario, business organizations that make up the Network INTEGRARSE, have a great opportunity to serve as these articulators that boost the alliances that define common objectives in which everyone can contribute from their competence to achieve the collective impact that we need to improve the quality of life in our societies.

A special thanks to all the people, companies and NGOs that have agreed to be part of this study, and who so generously have shared their knowledge and experiences.

# 1. INTRODUCTION

The Base line study on Philanthropy and Social investment in Central America was developed by the INTEGRARSE network, with the support of the Seattle Foundation, the Spanish Agency for International Cooperation (AECI) and the United Nations Children's Fund (UNICEF). This study aims to map, analyze and understand what are the amounts allocated by the Central American private sector for projects or programs of philanthropy and social investment.

The study was conducted with companies and NGOs in six countries in the region: Costa Rica, Nicaragua, El Salvador, Guatemala, Honduras and Panama.

## 1.1. THE SOCIAL INVESTMENT AND PHILANTHROPY

For the study was taken as a basis the definition of social investment that presents the international standard ISO26000 Of Social Responsibility.

This framework allows us to focus on the actions of philanthropy and social investment from a global perspective as part of the sustainability of an organization and/or institution.

According to ISO26000,

*"...social investment appears when organizations invest their resources in initiatives and programs aimed at improving social aspects of life in community. The types of social investments could include projects related to education, training, culture, health care, income generation, infrastructure development, improvement of access to the information or any other activity that promotes economic and social development."  
Social investment does not exclude Philanthropy (for example, subsidies, volunteerism and donations)*

<sup>1</sup> ISO 26000 Main subject: Community involvement and community development (6.8); Subject 7 on the active participation and community development: social investment (6.8.9).

In addition, the standard presents a series of expectations related to social investment as:

1. Strategic Alignment: framing the social investments in the organization sustainability strategy;
2. Alignment of the social investment with the needs and priorities of the communities;
3. Alignment of the social investment with the priorities established in national and local policies;
4. Active participation of the communities in the whole cycle of the social investment projects;
5. Empowerment and sustainability: "... avoid actions that perpetuate the dependence of the community..."
6. Continuous improvement approach, which involves measuring results and search for greater efficiency and effectiveness of the social investments;
7. Strategic alliances toward a collective impact; and
8. Focus on the populations of greater vulnerability.

Each initiative of social investment and philanthropy will present higher or lower levels of compliance with the abovementioned expectations.

Table 1. Social investment and expectations according to ISO-26000

	<b>IN GREATER DEGREE</b>	<b>TO A LESSER DEGREE</b>
<b>1. STRATEGY ALIGNMENT</b>	SOCIAL INVESTMENTS ARE MADE AS PART OF A SUSTAINABILITY STRATEGY OF THE ORGANIZATION, AND THEREFORE FOCUS ON MATERIAL ISSUES FOR SUSTAINABILITY	THE SOCIAL INVESTMENT PROJECTS DO NOT FORM PART OF A STRATEGY OF SUSTAINABILITY AND THEREFORE NOT NECESSARILY SERVE THE MATERIAL ISSUES OF SUSTAINABILITY
<b>2. ALIGNMENT WITH LOCAL NEEDS</b>	SOCIAL INVESTMENT PROJECTS ARE FOCUSED ON THE PRIORITY TOPICS FOR THE DEVELOPMENT OF THE COMMUNITY; THEY ARE RELEVANT	SOCIAL INVESTMENT PROJECTS DO NOT DEPART FROM THE MAIN CHALLENGES OF LOCAL DEVELOPMENT; THEY ARE NOT NECESSARILY RELEVANT
<b>3. ALIGNMENT WITH PUBLIC POLICY</b>	THE SOCIAL INVESTMENT PROJECTS ARE IN LINE WITH THE PRIORITIES AND RESOURCES DEFINED IN PUBLIC POLICIES	SOCIAL INVESTMENT PROJECTS WERE NOT DESIGNED CONTEMPLATING PUBLIC POLICIES (LOCAL AND NATIONAL)
<b>4. ACTIVE PARTICIPATION OF THE COMMUNITY</b>	THE LOCAL COMMUNITY (INTERESTED PARTY) PARTICIPATES ACTIVELY IN THE WHOLE CYCLE OF THE SOCIAL INVESTMENT FUND PROJECT	THERE IS NO ACTIVE PARTICIPATION OF THE COMMUNITY, MAINLY IN THE DESIGN PHASE OF THE PROJECT OF SOCIAL INVESTMENT
<b>5. EMPOWERMENT AND SUSTAINABILITY</b>	THE SOCIAL INVESTMENT FUND PROJECT IS DESIGNED TO BE SELF-SUSTAINABLE AFTER A DUE TIME	THE SOCIAL INVESTMENT FUND PROJECT REQUIRES A PERMANENT FLOW OF EXTERNAL RESOURCES TO KEEP
<b>6. CONTINUOUS IMPROVEMENT: MEASUREMENT AND EFFECTIVENESS</b>	THE IMPLEMENTATION OF SOCIAL INVESTMENT PROJECTS INCLUDES COMPONENTS FOR MEASURING RESULTS AND IMPACT	WE DO NOT MEASURE THE RESULTS AND IMPACT OF THE SOCIAL INVESTMENT PROJECTS
<b>7. STRATEGIC ALLIANCES</b>	SOCIAL INVESTMENT IS PART OF A SERIES OF OPERATIONAL AND STRATEGIC ALLIANCES; INVESTMENT SYNERGIES ARE SOUGHT THROUGH PARTNERSHIP WITH PUBLIC AND PRIVATE ENTITIES	SOCIAL INVESTMENT PROJECTS DO NOT INCLUDE STRATEGIC ALLIANCES; THEY ARE ISOLATED PROJECTS OF OTHER PUBLIC INITIATIVES AND/OR PRIVATE; THERE ARE NO SYNERGIES
<b>8. POPULATIONS OF GREATER VULNERABILITY</b>	SOCIAL INVESTMENT PROJECTS SEEK TO REDUCE VULNERABILITIES OF SPECIFIC POPULATIONS	INVESTMENT PROJECTS ARE NOT DIRECTED AT MORE VULNERABLE POPULATIONS

<sup>2</sup> Ibid.

### 1.2 OBJECTIVES OF THE STUDY

The central objective of this exploratory study is to define a baseline in social investment in Central America, identifying resources provided by the national or foreign private sector for social investment initiatives and philanthropy, as well as the destination of these resources, whether contributed directly and/or are channeled through NGOs operating in Central America.

The specific objectives of the study are the following:

1 Identify the main companies or business organizations that provide resources for social investment and philanthropy in six countries of the region.

2 Identify the main topics covered by the firms and NGOs executing projects of social investment and how these are aligned with the challenges for the regional development and the sustainability strategy of the company.

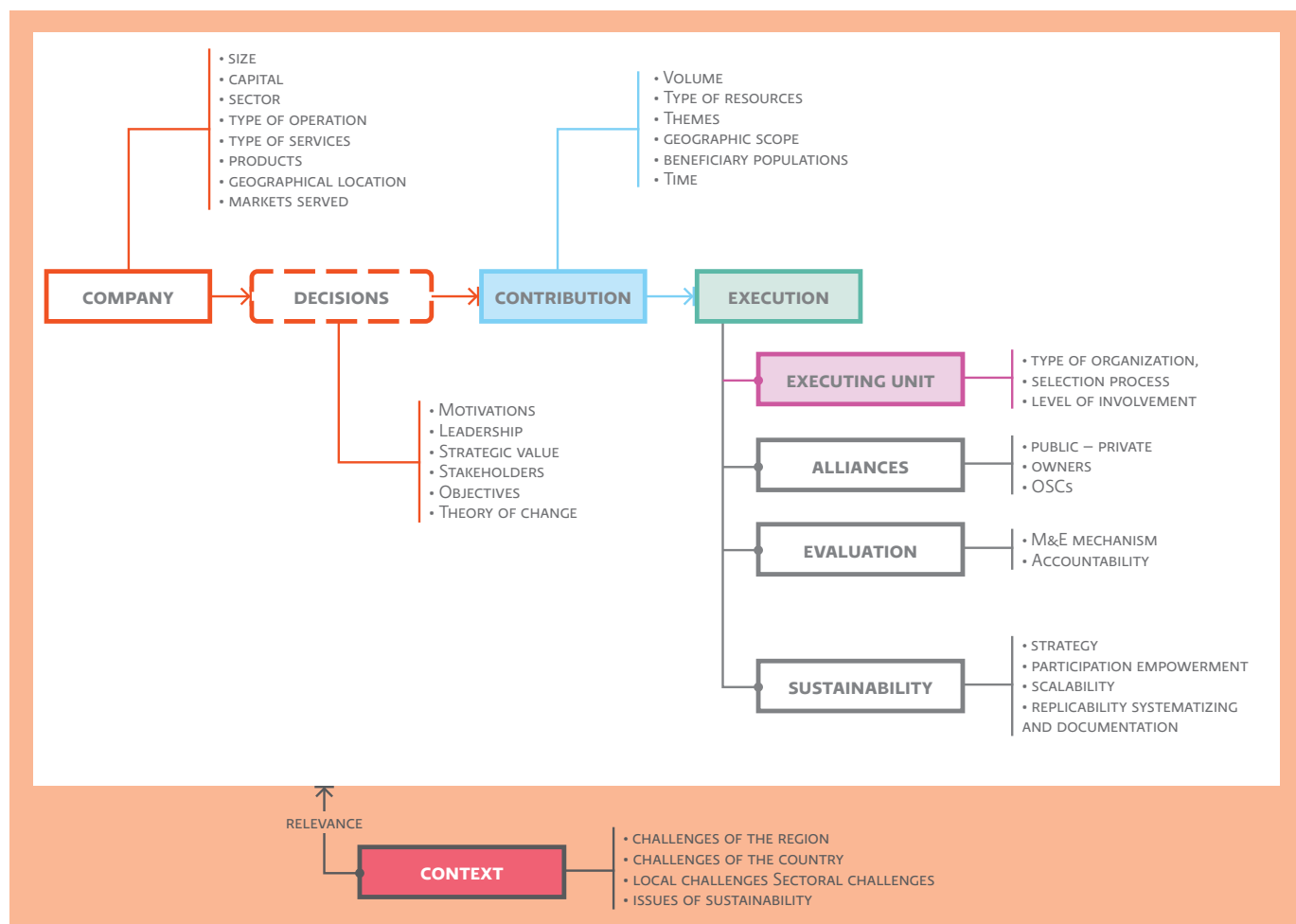
3 Identify the mechanisms and logics of intervention, considering: (a) outbreaks and destinations of social investment, (b) the mechanisms of implementation, (c) the monitoring and follow-up, (d) communication and (e) sustainability.

4 Identify the challenges and opportunities for social investment in the region, from a perspective of the effectiveness of the projects, generation of institutional capacities and incidence in public policies.

### 1.3 METODOLOGY

The research was raised from a framework of exploratory study, seeking to respond to the different dimensions of social investment in six countries in the region.

Figure 1. Diagram of information collected



Collection and systematization of information was conducted in three stages:

**First stage:**

It consisted of the application of a survey to companies and a survey of NGOs, with the purpose of having the baseline information in regard to:

- Basic information of the companies: sector of economic activity, number of collaborators (permanent and temporary) and source of the capital;
- Topics and populations served with social investment projects;
- Existence of strategic alliances and/or operational;

- Motivations for social investment;
- Resources invested; and
- Volunteering.
- Monitoring and evaluation;
- Strategic alliances and institutional development; and
- Sustainability.

In the case of surveys directed to the NGOs, the topics were:

- Información The Organization's general information: number of collaborators (permanent and temporary);
- Topics and populations served with social investment projects;
- Existence of strategic alliances and/or operational;
- Main served communities;
- Sources of financing, resources from the annual budget and private sector

**Second stage:**

At this stage in-depth interviews were conducted with leaders of the companies and NGOS chosen, for further investigation of specific topics such as:

- ElThe focus and the social investment destination;
- The structure and contribution channels: leadership and execution channels;
- Invested resources: type of resources, factors that influence and annual average;

In the case of the interviews with NGOS, the following items were suggested:

- LosInvestment topics and approaches;
- The human resource and financial: acquisition of resources and professionalization of the human resource;
- The organization: strategic planning and alliances, evaluation and accountability; and
- The annual budget.

**Third stage:**

Finally a workshop was conducted for a focus group with business and NGOs chosen with the aim of sharing the main findings, systematize, discuss and investigate the critical issues for social investment, specifically:

The tools used in the process of gathering the information are attached in annexes 1-5.

#### 1.4. THE CONTRIBUTION OF THE STUDY

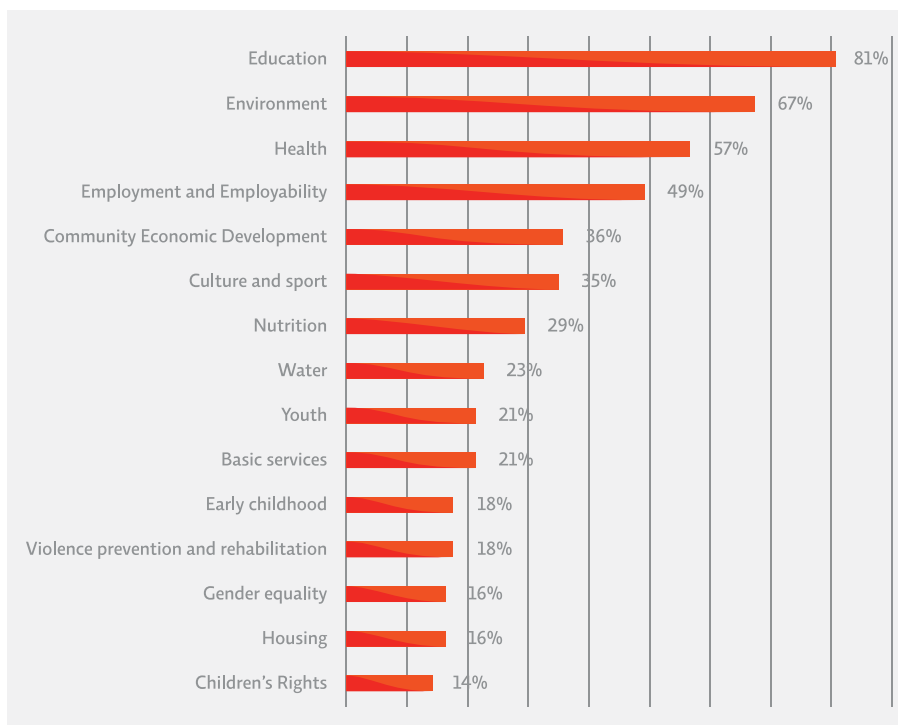
The results of the study allow to analyze and define a baseline on how carries out social investment and philanthropy in Central America, as well as understand the objectives pursued by companies and NGOs when carrying out projects and programs of social investment.

In Central America there is a lack of research or studies applied to the business sector made from an inter- and multi-sectoral perspective. The present exercise incorporates the perspectives of public policies and development challenges, the perspective of corporate social investment and the perspective of the NGOs operating in the various areas of social development to integrate and regionalize the knowledge in different areas.

In this sense, the study can be considered a starting point for a discussion and analysis of the strengths and weaknesses that exist in the process of social investment by the various actors in Central America. It will also allow you to find the gaps in inter- and intra-sector partnerships to help improve the exchange of information and the establishment of common goals and eventually influence public policies from the perspective of collective impact.

Finally, the study provides elements for the construction of a common working agenda within the Central American region, both to support the enterprises to generate greater social impact from their investments, and to strengthen NGOs as partners of the private sector in this task.

## 2. SOCIAL INVESTMENT AND PHILANTHROPY IN CENTRAL AMERICA



Graph 1. Main topics of social investment in the region

### 2.1 SOURCES AND DESTINATIONS OF INVESTMENT

Next, main topics, target populations, projects and programs of social investment will be discussed by the private sector in Central America.

#### TEMAS

The main topics of social investment in the region are: education, environment, health and employment and employability. In the following chart presents the regional results of the survey.



The following chart presents some variations with respect to the topics prioritized in each country of the region.

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panamá
1	Education	Education	Education	Education	Education	Education
2	Environment	Health	Health	Environment	Environment	Environment
3	Employment and Employability	Employment and Employability	Environment	Health	Health	Culture and sport
4	Health	Environment	Employment and Employability	Community Economic Development	Community Economic Development	Health
5	Community Economic Development	Violence prevention and rehabilitation	Nutrition	Employment and Employability	Employment and Employability	Community Economic Development

Graph 2. Main topics of social investment by country

The surveyed companies valued education as a critical issue for the overcoming of the condition of poverty, social mobility, and the training of human capital in the long term. Social investment in education subject comprises initiatives such as the provision and improvement of the infrastructure of schools; the provision of technical and technological equipment; the training of teaching staff; the development of school curriculum; and the provision of scholarships for low-income students.

The environment is the second issue of importance in Central America. Many companies invest in this area as a mechanism for mitigation and/or compensation for the impacts of its operations. Recycling, water resources protection, cleaning rivers and beaches, the planting of forests, wildlife protection projects are some examples of the initiatives carried out in the countries of the region. In addition, there is a growing trend of linking environmental topics with local strategies of risk prevention and adaptation to climate change.

The issue of health is covered from different perspectives such as the provision of basic care (medical brigades), the development of infrastructure of medical care (community clinics), the campaigns for the eradication of outbreaks of Dengue, the actions on sexual and reproductive health (awareness campaigns), etc.

In some cases the health is closely related to nutrition and access to safe drinking water sources. In other cases there is a complementarity of the educational topic with the nutrition of children in the own educational centers.

Initiatives that promote employment, employability and community economic development are focused on the development of individual and community capacities for income generation. For investments in employability, what is sought is to develop individual capabilities so that these people can be hired by the company (workforce development).

The economic development of the community seeks to implement business initiatives in the communities of the immediate impact of the operations of the company to promote local linkages and, therefore, extend the economic impact of the company in their local environment.

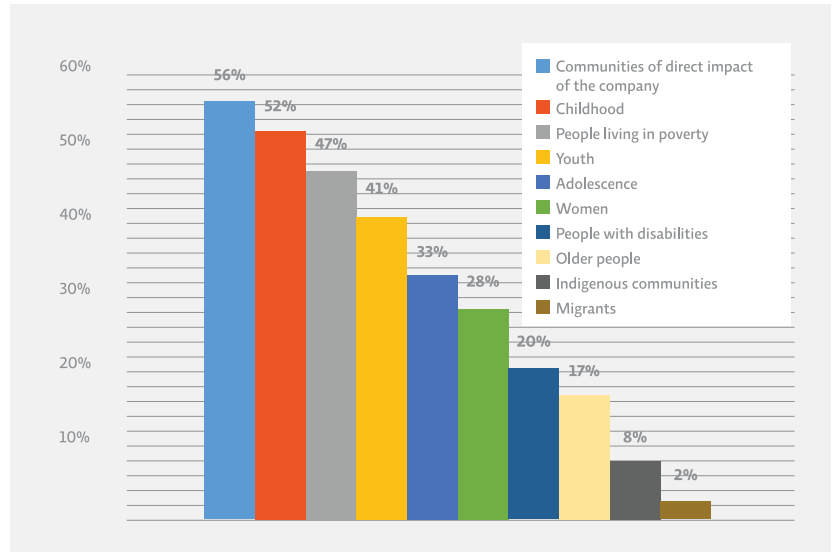
Usually, companies select the topics to which they focus their social investment as a function of the strengths of the business and/or the particular characteristics of its operation. In this sense, companies seek to mitigate or offset its negative impacts, maximize their contributions to society, or a combination of both strategies. Thus, a company with a high consumption of water seeks to offset this footprint with programs and projects of recovery of river basins or watersheds and other environmental issues that reinforce the availability of this natural resource. Other companies with skills, competencies, or particular products invest in those topics that allow them to maximize their contribution to society, for example pharmaceutical companies tend to invest public health topics.

In the case of NGOs consulted, the main subjects or sources of social investment are very similar to the issues prioritized by the businesses: education, health, youth and children. In addition, issues of local economic development, access to basic services and employment and employability strongly appear.

**TARGET-POPULATIONS**

The main populations served by the projects and programs of social investment in the region are the communities of direct impact of the company, children, people living in poverty, youth and adolescents and women.

A common denominator that the research reflects is the attention from the businesses to the communities of direct impact of



Graph 3. Main populations served: regional

*“We serve the poorest colonies nearby to our facilities.”*

*Industrial businessman of El Salvador*

*“We focus on young people who come from strata with low level of education or economic limitations, mainly in rural areas”*

*Businessman of the sector of services of El Salvador*

their operations, mainly in the sectors of manufacturing, mining, energy, oil, agriculture and tourism. However, also the sectors of commerce and construction guide their social investment to meet the needs of their neighboring populations.

The main reasons that companies give to make this phenomenon happen are local impacts (environmental) management, improvement of the operating environment and the social license to operate.

In addition, childhood, adolescence and youth, as well as the condition of poverty, are complementary approaches for the orientation of social investment by the business sector.

In both cases, both companies and NGOs social investment are aligned in large part to the priority issues for the development of the countries of the region.

Variations by country are shown in table 2. The beneficiary populations of the efforts of social investment by the NGOs are the people in condition of poverty, childhood, adolescence and youth.

	Communities of direct impact of the company	Childhood	People living in poverty	Youth	Adolescence	Women	People with disabilities	Older people	Indigenous communities	Migrants
Costa Rica	60%	50%	43%	33%	23%	17%	20%	20%	3%	0%
El Salvador	49%	62%	36%	60%	53%	27%	29%	29%	0%	0%
Guatemala	63%	41%	33%	26%	22%	37%	4%	4%	22%	11%
Honduras	62%	56%	56%	29%	18%	44%	21%	18%	6%	3%
Nicaragua	50%	40%	40%	40%	40%	20%	20%	10%	0%	0%
Panamá	52%	64%	72%	56%	40%	24%	28%	20%	16%	0%

Table 2. Main population served: by country

## 2.2. MAIN FINDINGS

### THE SOCIAL ROLE OF ENTERPRISE AND ENTREPRENEURSHIP

The companies consulted within the framework of the present study are aware of the fundamental role that the private sector has in the development of a country. They point out that the starting point and the main contribution that can be made to the development of society and the improvement of the condition of poverty affecting large portions of the population of the region is the creation of decent employment. However, they also recognize that the social role of enterprises goes far beyond generating direct and indirect employment, by means of productive linkages, pay taxes and provide goods and services.

The private sector is called upon to lead a process of transformation and social impact which must take into account the public institutions, NGOs and civil society in general. In this sense, companies play an important role in the construction and the strengthening of the governance of the society, should focus on public action complement and not replace the role of the state or other agents involved in the development.

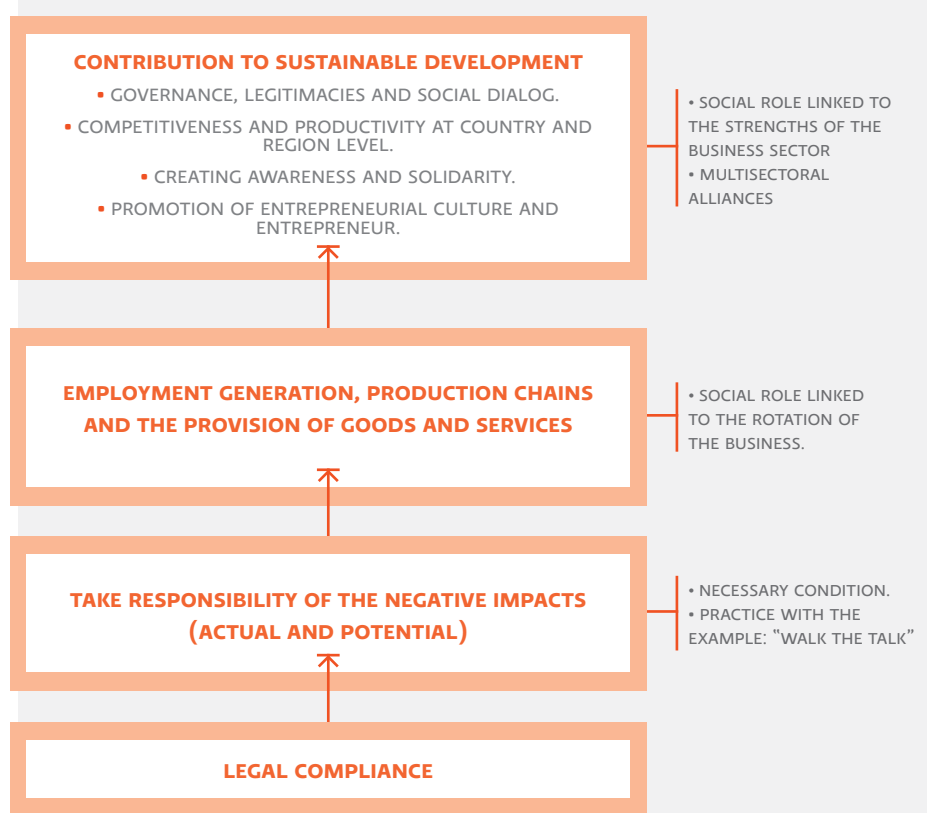
Another key aspect mentioned by the companies surveyed is that legal compliance is only a floor; a necessary but no sufficient condition of a responsible and ethical business posture. However, it is noted that the same is essential for the creation and promotion of awareness and social practice of legality in their respective publics of interest and in their spheres of influence. Overcoming the vicious cycle is considered a critical step for the development of a society.

*“We must transcend the ‘mere’ business success to a wider society meaning.”*

*Manager of an agro-industrial company of Honduras*

Finally, like legal compliance, the starting point of any private sector contribution to sustainable development should be to “do no harm to society.” This means that companies must take over actual and potential negative impacts they generate on their social, economic and environmental surroundings.

Figure 2. Social role of the company



## WIDESPREAD PRACTICE OF MAKING SOCIAL INVESTMENTS

Social investment, according to the interviewed companies, has increased over the years as a business practice; in all countries of the region there are significant initiatives that impact multiple dimensions of sustainable development. However, the majority of businesses consider still is not a practice that is widespread in the region and that still occurs in a disorderly manner and, in many cases, in an assistance form and little strategic. The practice of reactive philanthropy still lingers.

On the other hand, there is a tendency towards initiatives of strategic social investment aligned to corporate sustainability strategies. They are mainly big companies, of national or foreign capital, who promote a broader vision of social investment as a way of channeling corporate resources to its main stakeholders and be responsible for their negative impact (actual or potential). In this sense, this type of companies are looking for projects and programs of medium- and long-term, aligned to a corporate sustainability strategy, and in accordance with the main challenges for local and national development.

In all countries a trend toward a social investment framed in corporate social responsibility strategies is highlighted. This trend is promoted mainly from three areas: (1) the transfer of corporate social responsibility (CSR) from the parent companies of multinational corporations with a presence in the region, (2) an increasing openness of Governments to recognize the private sector as a strategic development partner and (3) a wider dissemination of good practices in social responsibility from organizations that promote sustainability in the region.

*“Beyond the economic situation, I think that there is a condition of philosophy, belief in the private sector that has limited that Act”.*

*Vice President of a company of real estate and tourism development of Costa Rica*

Finally, it is observed in the region a new generation of businessmen and businesswomen who “take sustainability into the DNA of the company” as critical to the success of their business.

## MOTIVATIONS

Social investment in the interviewed companies is due to a combination of reasons, ranging from the family tradition, to alignment with the strategic objectives of the business

National family companies claim they make the social spending by a historical commitment to the development of the country and promote opportunities to populations in vulnerable situations.

Some companies, mainly multinationals, point out that social investment is part of a corporate sustainability strategy. In these cases, the social investment is part of the company’s policy and is reflected in local practices as a mandate from the parent company.

The main motivations that companies say are:

1. Contribute to social development in the communities that they operate.
2. Develop and strengthen relations with its stakeholders.

- 3 Mitigate and / or compensate for Environmental impacts of their operations.
- 4 Promote a sense of belonging and welfare of employees and partner and, thus retaining talent.
- 5 Risk management and social license to operate.
- 6 Positive differentiation and branded recognition.
- 7 Compliance with entities guidelines and cooperation agencies and multilateral financing.

aligned to a global strategy for sustainability.

The main factors that influence the definition of possible themes and stocks subject to social investment are:

- Relationship with the communities of operating environment and historic commitments with their selves.
- Risk factors and opportunities identified in an analysis of materiality and/or dialog with interested parties,
- Corporate policies from the head office
- Existence of strategic alliances with public and private parties
- Linking themes and populations with the rotation of the business,
- Opportunity to contribute to substantive themes for the local and national development, and
- Response to specific queries from an interest group.

**ORIGIN AND INITIATIVE SELECTION**

The origin of social investment initiatives, and the motivation for such investments varies from case to case. For some companies, social investment is part of their community relationship tradition and is based in values and historical commitments since the company foundation.

In addition, the surrounding communities where they operate are usually areas where the collaborators of the company reside, Resulting in an additional argument for the selection of certain populations and themes of social investment.

In these cases the companies carried out a diagnosis in the communities of interest and this analysis obtained the themes and the populations to be served.

In other cases, the initiatives emerge from an analysis of materiality and/or in a process of consultation with the public interest. It is from this analysis of risks and opportunities that establishes the priority lines for social investment,

The process for the selection of programs and social investment projects varies from one company to another. These processes can be structured by a formal procedure or may depend on the decision of a single person or instance of the company

In the more formal processes, decision-making for the selection of topics and populations involves necessarily to the senior commanders; CEOs, CFOs, general and regional managers, with the participation of the different departments

that are responsible for the implementation; Corporate Relations, Human Resources, Communication, Social Responsibility, etc.

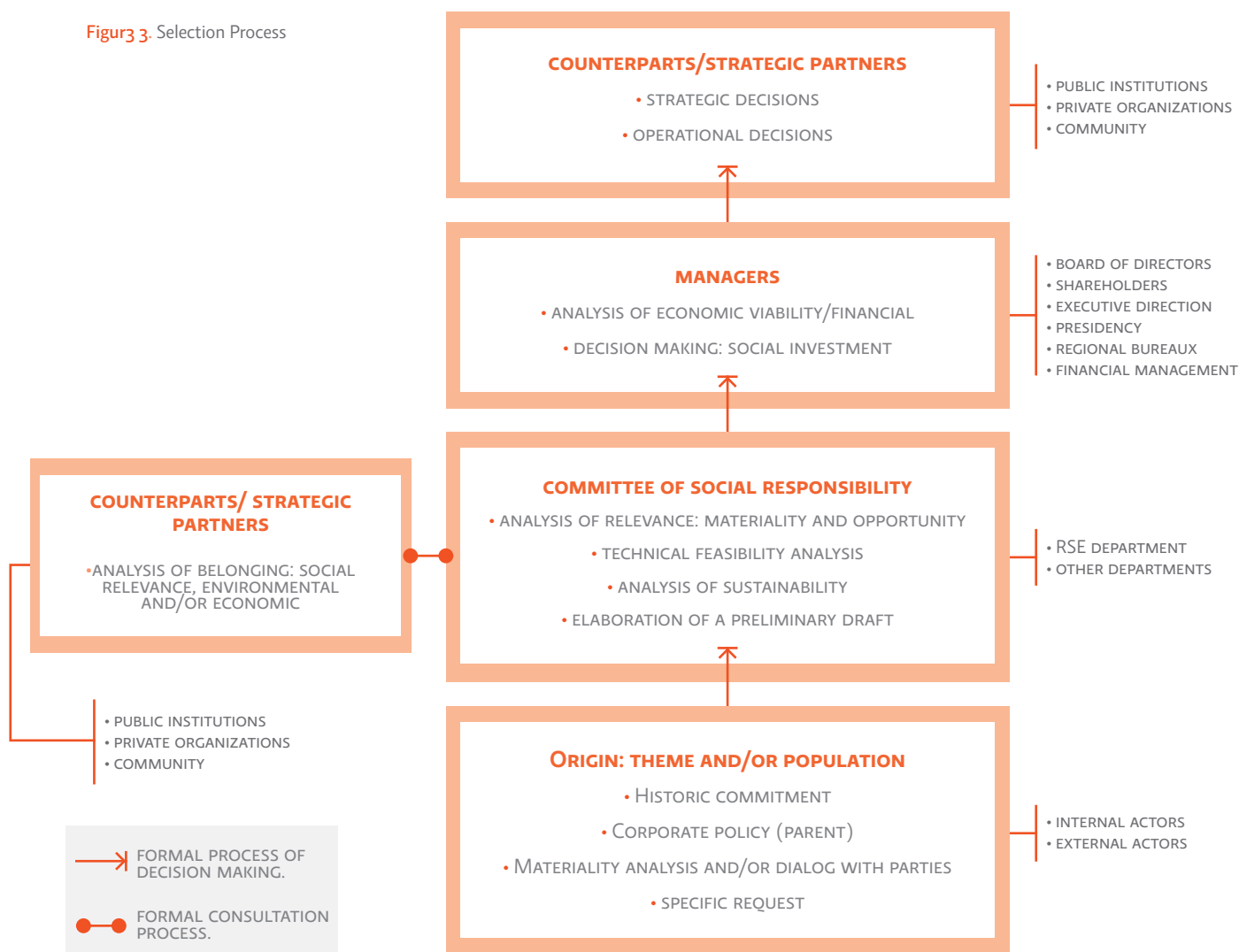
In the graph below are presented in summary form some of the main elements and parties involved in the process of choosing the projects and programs of social investment.

In the case of the NGOs consulted, most made strategic planning processes and consider these plans as key inputs for the selection of projects and for the process of achieving resources. In NGOs belonging to global networks, the selection of topics and target populations and thus the projects executed, depend on the guidelines that emits the parent, as well as the topics that are promoted at the global level

in the thematic networks. Most of the NGOs consulted local thematic studies, as well as guidelines and public policies for their strategic planning process and for the definition of the social investment projects.

Thus seek to align the priorities of public bodies, including from a pragmatic perspective of achievement of resources.

Figur3 3. Selection Process



*What we do is to suggest, propose, mark a pattern, for which the political authority, which is the one that has the power, determine the direction; the Board of Directors is who takes the decision, is the one that authorizes the budgets”.*

*Director of RSE from a financial institution in Costa*

The interviews reveal a great opportunity for improvement in regards to the participation of the communities in the process of selection of the themes, projects or programs of social investment. There are few companies that carry out consultations during the process of elaboration of it, limiting the participation of target populations to the implementation stage. In this way, the populations served, as well as the executing organizations, have limited power to influence strategic aspects of the projects or programs, which may jeopardize the pertinence and relevance of the same social investment initiatives.

However, some companies stated that an essential condition for the design and implementation of a social investment fund project is the real participation of the populations potentially benefit from these investments. In this sense, participation in the design becomes a necessary condition for work in a community. The existence of channels of communication with the populations becomes the starting point for any social investment in the same community.

Although the majority of companies do not make to the community participate in the decision-making on social investment, many stated that they do align their investments with the needs of the community, collecting information through desk side visits to schools and community centers, as well as holding meetings with organizations and local governments, among other influential actors.

NGOs do seek a greater rapprochement with the communities where will incur with a social development project. In many cases already, they have been working for several years in the same communities and therefore maintain channels of information and consultation well established.

## **PROCESS OF IMPLEMENTING**

Most of the companies interviewed have a unit in charge of sustainability, corporate citizenship or Corporate Social Responsibility. Usually, these units – office, address, department or vice president – are in charge of managing the social investment projects. However, in some cases the social investment projects are operated from a corporate foundation or, including decentralized units or specific projects.

The units in charge of sustainability, corporate citizenship or Corporate Social Responsibility Report directly to the General Management when they are departments of sustainability or RSE, Or to other addresses such as Marketing, Communications and Public Relations, Human Resources. The form of report is done through reports, meetings, progress in work plans, inspection of progress of investments and memories



The main channels used by the companies for investment in the social sector are:

- Financing and proper execution of projects by the company or corporate foundation
- Financing of projects executed by a NGOs and
- Recurring donations or punctual sponsorships in support to existing programs of a NGOs or community-based organizations.

Many companies run their own social investment projects, in particular when they are projects directly related to the rotation of business, projects in the adjacent communities to the centers of operation of the company or when they involve volunteers. This implementation can be performed centrally, from the unit of RSE or sustainability or a Corporate Foundation, or decentralized through business units or specific projects. In the investments of execution of its own, companies or business foundations provide follow-up to the projects and accountable internally and externally.

The duration of the projects will depend on the subject matter and/or population served. The projects in the short to medium term (1-3 years) generally focus on issues very punctual and rapid intervention. This is the case of projects for the provision of infrastructure or education and training for income generation. However, there is a growing tendency to promote projects from medium to long term (3 or more years), mainly when looking for contribute to substantive issues such as education, nutrition, health, empowerment, children, etc.

There will always be issues in that enterprises require contract third parties to the stages of design and/or execution of the social investment projects since in many companies do not possess the experience. In these cases, it is important to point out that the majority of the businesses do not have established criteria for this selection. However, the own trajectory of the implementing organization, as well as its implementation capacity, are some of the elements that the companies reviewed at the time of choosing his counterpart expert.

When the social investment is channeled through an expert organization, the design of projects can be given in two ways: on the one hand, It may be that the company design a project and locate an ally with all the experience and the capacity to implement it, and, on the other hand, It also happens that organizations are looking to the companies for which they financed specific projects.

*Having an impact study is of high interest to us. We want to measure the impact to know whether or not there was social transformation, and also for the information to add value to the RSE strategy of the company. To the extent that we can verify the impact of the investments, we count with social license to operate”.*

**Businessman from Panama**

### MONITORING AND EVALUATION

The companies interviewed claim that the follow-up to the projects is done by means of reports, progress, work plans or completion of investments when it comes to infrastructure projects.

However, they assert that still do not know how to handle the evaluation of the impacts of projects. In the best of cases, businesses have performance indicators for each project of social investment. However, the companies interviewed expressed interest in having impact measurements in order to check in a rigorous manner if their investments are yielding the desired effects on the target population or the subject of approach.

At the same time, they all recognize that one of the main deficiencies or weaknesses of their social investment programs is precisely the lack of such assessments, so manifest interest in them and seek guidance about how to carry them out.

In the case of NGOs, the situation regarding monitoring and evaluation is similar; maintained and measured indicators performance and results, but no a measurement of impact.

In a few cases, when NGOs are in long-term relationships with international cooperation agencies, it can be observed a greater concern to maintain mechanisms for measuring results in the medium and long term, which is about to a measurement of impact.

### COMMUNICATION

Most companies recognize the importance of the communication of the progress and results of the social investment projects, both to the internal and the external.

Internally the communication must reach the collaborators and to the high addresses and shareholders of the company. The internal communication is even more important, when the social investment projects have components of volunteerism on the part of the staff of the company. In these cases, becomes essential teaching the results of collective efforts, just to reinforce the feeling of belonging and satisfaction of the collaborators. In addition, the internal communication is considered a mechanism of accountability of the investments made by the company, which must also demonstrate certain levels of efficiency and effectiveness.

The external communication of the progress and results of the projects is an area of difficult handling for some companies. On the one hand, companies want to be recognized as organizations that promote development in the communities, but on the other hand, are reluctant to "cacarear" (vaunt) the achievements of its social investments. In many cases, companies considered unethical to speak well of themselves and prefer not to communicate the social achievements, environmental and economic that have emerged from their investments.

Finally, there are few companies that handle a defined budget on the theme of communication of the social investment projects. Both the projects executed by the company itself, as well as the projects channeled through third parties, do not have clearly defined the items of communication.

### STRATEGIC ALLIANCES AND INSTITUTIONAL DEVELOPMENT

Most of the companies interviewed expressed maintain strategic alliances with a variety of actors:

Public institutions, professional organizations, civil society organizations, academic institutions and counterpart organizations in the private sector.

Each project of social investment requires a set of allies. The experience of NGOs in the formulation and implementation of projects, the legitimacy and the counterpart resources of public institutions, the sectoral alliances with other companies to maximize the impact of social investment, the support of community-based organizations for the efficient channeling and resources effectively, are some examples of the synergies that allow you to mark the difference between a project in isolation of social investment and an initiative that seeks to the collective impact on a particular subject or a particular population.

The majority of alliances are themed and/or territorial. In addition to partnerships with public institutions are specific to the design and implementation of specific projects of social investment.

There are few companies that maintain a long-term strategic alliance with a public institution or other organization in general.

There is a general recognition that the institutional development; leave capacity installed in public institutions and private organizations, is an essential step toward the sustainability of the social investment projects.

Nevertheless, the companies interviewed, few are devoting resources to systematic and sustained way to the institutional development of executing NGOs, public institutions or community organizations. Some mention performs "training" to local authorities and promote leadership programs.

## SUSTAINABILITY

Most companies indicate that the sustainability of the initiatives of social investment is a critical issue and little developed in the stages of the design and implementation of projects and programs.

There is little clarity about the appropriate mechanisms to develop a strategy for sustainability and allow an exit strategy that does not put at risk the achievements.

Usually, companies are aware that it is not desirable to generate dependency in the communities; however most of the projects fail to introduce mechanisms for sustainability and will continue to be dependent on a permanent flow of resources from the companies.

Among the companies that applied sustainability strategies, the most used are:

- Empowerment of the community: to identify the community stakeholders who have a role in the project and empower them very early through training, tools and leadership to capture the projects and give them continuity.
- Strengthening the capacity of NGOs: In the case of execution of third parties, some companies seek to invest in strengthening the managerial and administrative skills of NGOs or community-based organizations. One of the companies even sponsors a diploma.

Finally, there are few companies that considered the public institutions as a potential ally for the sustainability or continuity of the projects.

### 2.3 RESOURCES FOR SOCIAL INVESTMENT

Regarding to the resources that are allocated for social investment, the study focused on: (1) the type of resources, (2) the factors that affect the amount of resources and (3) the approximate amount of social investments made in recent years.

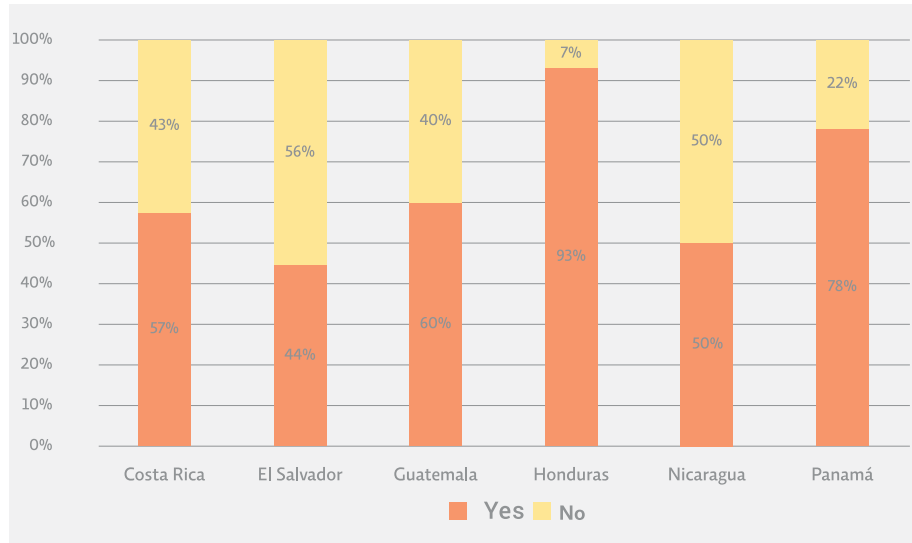
#### TYPE OF RESOURCES

In the majority of cases the companies invest economic resources that in many cases are also accompanied by hours of the collaborators in the form of operating volunteering and/or professional. The resources in kind as materials, equipment and products, are also used in the social investment projects. Even some companies say they are not making social investments by means of financial resources, but “only” in the form of materials, equipment, products and volunteering.

In the following chart presents the results of the survey to the companies, where it was asked by the existence of a volunteer program in the company. The vast majority of companies make volunteering (professional and/or operational). In the case of Honduras, 93 per cent of the companies surveyed have some form of volunteer work, Panama is 78% and in the other countries this figure rotates around the 50%.

#### FACTORS THAT INFLUENCE AND SOURCES OF FUNDS

The amounts that companies allocate to social investment are defined in different ways.



Graph 4. Volunteering.

In some cases it is a fixed percentage of the profits, in others depends on the magnitude of the projects (amount of beneficiary population, thematic, geographical scope, etc.), the expected impact and the own number of projects approved by the company or corporate foundation. In some cases, the amounts to be invested are determined by management in a discretionary manner.

The majority of companies declare that the social investment resources come exclusively from the utilities. However, it also includes resources from the collaborators of the company – fixed monthly amount – as well as the volunteer work of the same.

In some cases, are organized fundraising activities to expand the scope of the social investment programs or to promote a project or a specific initiative.

Finally, it should be noted that in the process Finally, it should be noted that

in the transition process of a reactive philanthropy toward more strategic forms of social investment, companies tend to assign a fixed amount for social investment, allowing a schedule of medium and long term and a vision of sustainability for the projects and programs of social investment. In this way, can be overcome, at least partially, the conjunctural fluctuations in social investment.

#### AMOUNT

In the following table shows the approximate amounts of social investment, carried out annually as an average of the last three years.

#### MAJOR CORPORATE DONORS

The main corporate donors identified in the present study are detailed below. They are lists in alphabetical order and with overall amount of the top ten companies per country.

**Table 3.** Annual social investment made by companies in the region  
(Average of the last three years)

	<b>NUMBER OF COMPANIES THAT ANSWERED THE SURVEY AND/OR WERE INTERVIEWED</b>	<b>AMOUNT OF SOCIAL INVESTMENT (IN US\$ PER YEAR)</b>
COSTA RICA	19	\$ 12.900.173
EL SALVADOR	30	\$ 13.307.439
GUATEMALA	10	\$ 26.550.000
HONDURAS	29	\$ 20.472.685
NICARAGUA	15	\$ 31.936.000
PANAMÁ	27	\$ 29.537.500
<b>TOTAL</b>	<b>130</b>	<b>\$ 134.703.797</b>

**Table 4.** Main corporate donors:  
by country

<p><b>COSTA RICA</b></p> <p>AUTO MERCADO BRIDGESTONE DE COSTA RICA CONSTRUCTORA MECO ECO-DESARROLLO PAPAGAYO FLORIDA BEBIDAS GRUPO CUESTA DE MORAS INTEL PURDY MOTOR WAL-MART ANONYMOUS</p> <p><b>Annual investment approx.: US\$12,3 Mio.</b></p>	<p><b>EL SALVADOR</b></p> <p>BAC BANCO AGRÍCOLA COMPAÑÍA AZUCARERA SALVADOREÑA HANES BRANDS HILASAL INDUFOAM INDUSTRIAS LA CONSTANCIA INGENIO EL ÁNGEL MERLET PRODUCTOS ALIMENTICIOS DIANA TERMOENCOGIBLES</p> <p><b>Annual investment approx.: US\$13,1 Mio.</b></p>
<p><b>GUATEMALA</b></p> <p>CEMENTOS PROGRESO/FUNDACIÓN CARLOS F. NOVELLA ECOFILTRO ENERGUATE GRUPO GENHIDRO MCDONALD'S MINERA SAN RAFAEL MONTANA EXPLORADORA PANTALEÓN/FUNDACIÓN PANTALEÓN TELEFÓNICA/FUNDACIÓN TELEFÓNICA TIGO GUATEMALA/FUNDACIÓN TIGO</p> <p><b>Annual investment approx.: US\$26,6 Mio.</b></p>	<p><b>HONDURAS</b></p> <p>CORPORACIÓN DINANT S.A. DE C.V. FUNAZUCAR GRUPO FINANCIERO FICOHSA GRUPO JAREMAR GRUPO KARIMS GRUPO TERRA INTUR TIGO UNITEC UNIVERSIDAD TENOLÓGICA DE HONDURAS</p> <p><b>Annual investment approx.: US\$15,8 Mio.</b></p>
<p><b>NICARAGUA</b></p> <p>BAC CARGILL CASA PELLAS EXPASA GILDAN LAFISE PANTALEÓN POLARIS SER SAN ANTONIO TELEFÓNICA</p> <p><b>Annual investment approx.: US\$23,4 Mio.</b></p>	<p><b>PANAMÁ</b></p> <p>BANCO GENERAL CERVECERÍA BARÚ CERVECERÍA NACIONAL COPA AIRLINES GRUPO CORPORATIVO PÉREZ, S.A. MORGAN &amp; MORGAN ODEBRECHT PETROTERMINAL DE PANAMÁ S.A. TELEFÓNICA MÓVILES PANAMÁ S.A. ANONYMOUS</p> <p><b>Annual investment approx.: US\$23,0 Mio.</b></p>

# 3. COUNTRY SUMMARIES

## 3.1 COSTA RICA

### Country Indicators

Human Development Index (2014)	0,766
HDI Ranking (2014):	69° (high human development)
Population in Poverty (2011):	24,8%
Population in extreme poverty (2011):	7,3%
Secondary enrollment rate (2011):	74,2%
Dropout rate in secondary education (2011):	11,1%
Infant mortality rate (2011):	9,1
Maternal mortality (2011):	23,1
Public spending on education (2011):	7,1%
Public spending on health (2011):	8,7%
Unemployment rate (2011):	7,7%
Homicide rate (2011):	9,7

Table 5. Country indicators

## Organizations consulted

- Contacted: 167 companies and 169 NGOs
- Surveyed: 40 companies and 32 NGOs
- Interviewed: 16 companies and 9 NGOs
- Focus group: 4 companies and 4 NGOs

## Social investment: Topics and populations

### Main topics:

1. Education
2. Environment
3. Employment and Employability
4. Health
5. Economic development of the community

### Main populations:

1. Communities of direct impact of the company
2. Childhood
3. People living in poverty
4. Youth
5. Adolescence

## Main findings

- In general, the social investment projects of companies, are not only aligned to the shift of the business of the same and their populations of interest, but they are also aligned with national policies and priorities.
- In many cases, companies start from an understanding of their populations, the knowledge of their environment or guidelines of national and international corporates.
- Most companies implement long-term programs, with the exception of those that support infrastructure investment projects and that relate the social investments with the donation of equipment and materials.
- The company's internal communication is widespread. External communication does not have specific budgets.
- Some companies report their results through a Sustainability Report; some even use the GRI-G4 methodology.
- All companies and NGOs consider that strategic alliances are important, both private and public. However, in many cases partnerships are operational and lack the strategic dimension and long term.
- Some of the companies implement their projects through NGOs that are experts on topics of interest. The selection of these non-governmental partners are very careful because of the reputation that companies must maintain and especially the results of the same management.
- Few companies and NGOs measure the impact of its projects and programs by what it deemed a big to-do for the sectors.

## 3.2 EL SALVADOR

### Country Indicators

Human Development Index (2014)	0,666
HDI Ranking (2014):	116° (medium human development)
Population in Poverty (2011):	47,5%
Population in extreme poverty (2011):	15,5%
Secondary enrollment rate (2011):	61,6%
Dropout rate in secondary education (2011):	5,8%
Infant mortality rate (2011):	13,1
Maternal mortality (2011):	50,8
Public spending on education (2011):	3,4%
Public spending on health (2011):	2,1%
Unemployment rate (2011):	6,6%
Homicide rate (2011):	68,5

Table 5. Country indicators



## Organizations consulted

- Surveys and interviews: 57 companies and 64 NGOs

## Social investment: Topics and populations

### Main topics:

1. Education
2. Employment and Employability
3. Health
4. Environment
5. Violence prevention and rehabilitation

### Main populations:

1. Childhood
2. Youth
3. Adolescence
4. Communities of direct impact of the company
5. People living in poverty

## Main findings

- The social investment projects, are essentially geared to the long-term impact and are considered the most strategic, however, companies also make projects of short duration and short-term issues.
- The majority of the NGOs in the country, have developed a high level of confidence, product of its reputation, trajectory and degree of specialization. However, as in any social dynamic, there are some NGOs that present challenges of improvement in operational and administrative
- Measurements of impact, are the main weakness of the social investments, according to the interviewed organizations.
- The communication of the results of the projects implemented, is relatively weak. The business community says has no interest to publicize what they do to the population in general. However, the results are communicated internally, since they are interested for employees to know the role that the company is playing in society.
- The majority of the surveyed companies performed social investments in the communities where they operate; regularly are the areas inhabited by the collaborators, and it is therefore where it is possible to promote a more determined and delivered volunteering.
- Nine out of ten NGOs and companies maintain alliances with other organizations and/or institutions. In general, partnerships are thematic and territorial; best practices are shared and other institutions or organizations are motivated to join.
- Few social investment projects have exit strategies of companies and / or NGOs. This is a risk for the sustainability of initiatives that fail to generate the capabilities of self-management and self-sufficiency.

### 3.3 GUATEMALA

#### Country Indicators

Human Development Index (2014)	0,627
HDI Ranking (2014):	128° (medium human development)
Population in Poverty (2011):	53,7%
Population in extreme poverty (2011):	13,3%
Secondary enrollment rate (2011):	33,8%
Dropout rate in secondary education (2011):	5,0%
Infant mortality rate (2011):	29,5
Maternal mortality (2011):	139,5
Public spending on education (2011):	1,6%
Public spending on health (2011):	1,1%
Unemployment rate (2011):	4,1%
Homicide rate (2011):	38,0

Table 5. Country indicators

## Organizations consulted

- Contacted: 100 companies and 110 NGOs
- Surveyed: 28 companies and 21 NGOs
- Interviewed: 10 companies and 15 NGOs

## Main findings

- There is a growing need to create and develop multi-sectoral partnerships to maximize the impact of social investment projects and, in turn, achieve a greater impact on public policy.
- Although there is greater awareness of the practice of social investments, the increase of initiatives have not been significant. Most of the surveyed companies consider that they are still the same companies making social investments.
- Social organizations have evolved their way of acting and levels of incidence they seek. Against a background of scarce resources for social investment and increasing pressure to demonstrate the effectiveness of projects, NGOs have understood that they must seek alliances with other organizations and public institutions.

## Social investment: Topics and populations

### Main topics:

1. Education
2. Health
3. Environment
4. Employment and Employability
5. Nutrition

### Main populations:

1. Communities of direct impact of the company
2. Childhood
3. Women
4. People living in poverty
5. Youth

## 3.4 HONDURAS

### Country Indicators

Human Development Index (2014)	0,6106
HDI Ranking (2014):	131° (medium human development)
Population in Poverty (2011):	61,9%
Population in extreme poverty (2011):	41,6%
Secondary enrollment rate (2011):	44,7%
Dropout rate in secondary education (2011):	8,8%
Infant mortality rate (2011):	24,3
Maternal mortality (2011):	n.d.
Public spending on education (2011):	6,0%
Public spending on health (2011):	2,9%
Unemployment rate (2011):	4,3%
Homicide rate (2011):	86,5

Table 5. Country indicators

## Organizations consulted

- Contacted: 104 companies and 53 NGOs
- Surveyed: 39 companies and 14 NGOs
- Interviewed: 18 companies and 10 NGOs
- Focus group: 6 companies and 4 NGOs

## Social investment: Topics and populations

### Main topics:

1. Education
2. Environment
3. Health
4. Economic development of the community
5. Employment and Employability

### Main populations:

1. Communities of direct impact of the company
2. Childhood
3. People living in poverty
4. Women
5. Youth

## Main findings

- The resources for social investment by the private sector, has a national majority origin and is a product of their own profits. In the case of NGOs, their resources come mainly from international cooperation.
- 50% of the companies that have participated in the study have a foundation created to channel social investment.
- All companies and consulted NGOs maintain partnerships with other organizations to maximize the impact of their actions in the communities. However, there are few cases in which it manages to develop strategic alliances with incidence on public policies.
- The study shows that as corporate social responsibility strategies, companies focus on serving populations, in first instance, in which direct impacts generated proceeds from its operations. However, there is still the major challenge of reducing the reactive stamp in private sector philanthropic initiatives and improve the guidelines of resources towards strategic social investments.
- On the subject of monitoring, follow-up and evaluation of impact, both companies and NGOs require a strong technical assistance and resource allocation.
- Among the relevant challenges mentioned in the study it is that the corporate sector may have better incentives in the tax for purposes of social investment.
- From the point view of the private sector, NGOs should structure and present viable projects to the companies and provide mechanisms for transparency and accountability. From the point of view of the NGOs, companies should focus their resources on strategic social investment projects with results and impacts of medium and long term.

## 3.5 NICARAGUA

### Country Indicators

Human Development Index (2014)	0,631
HDI Ranking (2014):	125° (medium human development)
Population in Poverty (2011):	44,7%
Population in extreme poverty (2011):	9,7%
Secondary enrollment rate (2011):	45,8%
Dropout rate in secondary education (2011):	19,2%
Infant mortality rate (2011):	18,1
Maternal mortality (2011):	62,7
Public spending on education (2011):	5,2%
Public spending on health (2011):	3,7%
Unemployment rate (2011):	6,3%
Homicide rate (2011):	12,0

Table 5. Country indicators

## Organizations consulted

- Contacted: 102 companies and 119 NGOs
- Surveyed: 14 companies and 6 NGOs
- Interviewed: 14 companies and 9 NGOs

## Social investment: Topics and populations

### Main topics:

1. Education
2. Environment
3. Health
4. Economic development of the community
5. Employment and Employability

### Main populations:

1. Communities of direct impact of the company
2. Childhood
3. People living in poverty
4. Youth
5. Adolescence

## Main findings

- Social investments are guided by government policies as well as for research, studies, specialized consultations and participatory consultative processes.
- There is the conviction that without community participation in the construction of the project it is not feasible to initiate any type of contribution.
- From the formulation of the social investment project proposal, is considered as a component of sustainability, the strengthening of local capacities, both the local community counterparts as of institutions allied to the execution of the same.
- In general, the surveyed companies are overcoming a posture of assistance and short-term investments without major impact beyond the project cycle. Increasingly, the private sector seeks to identify social investment options that are related with the line of business and a long-term vision.
- Another strategy identified in the business sector, is the involvement of partners and collaborators at different levels; both direct participation of volunteer work, and participation of fundraising campaigns and in some cases of the destination of the contributions which the company must perform.
- It stands out in all cases that companies seek to identify strategic partners, aiming to join forces and take advantage of the expertise in social development topics.
- In some cases, methodologies and tools developed in the framework of investment projects are transferred to public institutions, allowing for a re-application and greater scalability and sustainability of interventions.

## 3.6 PANAMÁ

### Country Indicators

Human Development Index (2014)	0,780
HDI Ranking (2014):	60° (high human development)
Population in Poverty (2011):	25,3%
Population in extreme poverty (2011):	12,4%
Secondary enrollment rate (2011):	65,5%
Dropout rate in secondary education (2011):	15,3%
Infant mortality rate (2011):	13,2
Maternal mortality (2011):	80,5
Public spending on education (2011):	3,8%
Public spending on health (2011):	2,0%
Unemployment rate (2011):	4,5%
Homicide rate (2011):	20,2

Table 5. Country indicators

- HDI value on a scale of 0–1, where 0 is the lowest value of the index and 1 is the largest. Source: <http://hdr.undp.org/en/data>
- Position the country with respect to HDI ranking (out of 188 countries). Source: *ibid.*
- Population having an income at or below the poverty line and, therefore, does not meet their basic needs. Source: State of the Nation Program in Sustainable Human Development (Costa Rica). Central America Statistics, indicators on sustainable human development/ PEN. – San Jose C.R.: PEN 2013.
- Population that has an income equal to or less than the cost of the basic food basket (BFB), which sets the minimum food requirement necessary for existence. Source: *ibid.*
- Ratio of total enrollment in high school and total population of the age for that level. Source: *ibid.*
- Percentage of students who dropped out of the education system in high school education. Source: *ibid.*
- Annual number of deaths of children under one year per thousand live births. Source: *ibid.*
- Deaths of women during or after pregnancy, per hundred thousand live births. Source: *ibid.*
- Percentage of the amount of public expenditure on education, relative to GDP. Source: *ibid.*
- Percentage of the amount of public expenditure on health programs in relation to GDP. Source: *ibid.*
- Percentage of the unemployed population relative to the PEA. It represents the proportion of the workforce that is unemployed, but is available for work and seeking employment. Source: *ibid.*
- Number of intentional homicides per hundred thousand inhabitants. Source: *ibid.*



## Organizations consulted

- Contacted: 117 companies and 136 NGOs
- Surveyed: 33 companies and 42 NGOs
- Interviewed: 14 companies and 7 NGOs
- Focus group: 4 companies and 3 NGOs

## Social investment: Topics and populations

### Main topics:

1. Education
2. Environment
3. Culture and sport
4. Health
5. Economic development of the community

### Main populations:

1. People living in poverty
2. Childhood
3. Youth
4. Communities of direct impact of the company
5. Adolescence

## Main findings

- The study shows the growth and consolidation of social investment as a central tool of the strategies of corporate social responsibility and / or sustainability.

Social investment is an emerging and growing practice in Panama. Two main factors motivate it: (i) maintaining the philanthropic legacy of the founder; (ii) implement sustainability policies of the company.

- The private sector runs its own social investment projects and also channeled resources through non-governmental organizations, becoming a powerful ally for development. The selection of partner NGOs is based on its credibility, alignment of their projects with the CSR strategy of the company and ability to execute.

- In addition to the resources in kind and in cash, most of the companies involve their employees in the social initiatives they sponsor through corporate volunteer programs that also seek to establish and strengthen the bonds of the company with the community.

- The resources that companies provide are mainly related to two issues: i) mitigating the impact of the operations of the company in their communities of influence; and ii) address some of the main social and economic challenges in the country, especially education.
- The companies maintain formal structures responsible for selecting, managing and the follow up on social investments. Although structures vary, there is evidence of the formalization of this function within the structure of the company and the need to address the social investment as part of the strategy and corporate structure is recognized.
- To the extent that social investment grows, challenges related to their conceptualization and implementation also arise. On the one hand, philanthropy has yet to mature beyond a purely charitable view towards a strategic vision linked to the company's business and sustainability strategy. On the other hand, companies need to strengthen their systems of monitoring and evaluation in order to measure the impact of their social investments, to collaborate with its partners in the non-governmental sector to strengthen its capacity for implementation and monitoring.

# 4. THE CHALLENGES AND OPPORTUNITIES FOR INVESTMENT IN THE SOCIAL SECTOR IN CENTRAL AMERICA

**Table 5.** Main opportunities and challenges for social investment

The Baseline Study on philanthropy and social investment in Central America allows you to identify a series of challenges and opportunities for expanding the scope of the social investment and deepen its impact on the social, economic and environmental development. In the following there are the mains:

DIMENSION	OPPORTUNITIES	CHALLENGES
<b>STRATEGIC ALIGNMENT</b>	<ul style="list-style-type: none"> <li>MANY ORGANIZATIONS ALREADY HAVE A SUSTAINABILITY STRATEGY, WHICH ALLOWS THE APPROACH OF SOCIAL INVESTMENT FROM A WIDER PERSPECTIVE OF SHARED RESPONSIBILITY AND FROM A FRAMEWORK OF STRATEGIC INVESTMENTS AND TRANSFORMATIVE. WITH THIS WOULD BE OVERCOME THE STAGE OF REACTIVE PHILANTHROPY INTO FORMS MORE EQUITABLE AND LASTING CONTRIBUTIONS TO SOCIAL DEVELOPMENT.</li> <li>CORPORATE VOLUNTEERING, ON A VERY GENERAL WAY, IT IS STILL DISCONNECTED FROM THE SUSTAINABILITY STRATEGY OF THE ORGANIZATION. IN THE FRAMEWORK OF INVESTMENT PROJECTS SOCIAL CORPORATE VOLUNTEERING CAN EARN MOST SENSE IN TERMS OF SUSTAINABILITY STRATEGY.</li> </ul>	<ul style="list-style-type: none"> <li>THERE ARE STILL SOME STRATEGIC WAYS OF SOCIAL INVESTMENT, WHICH IN SOME CASES ARE AD HOC AND NOT SUSTAINED CONTRIBUTIONS TOWARD A THEME OR A PARTICULAR POPULATION. THE STRATEGIC ALIGNMENT OF SOCIAL INVESTMENT TO A STRATEGY OF SUSTAINABILITY OF THE ORGANIZATION REQUIRES OVERCOMING THE TRADITIONAL WAYS OF CHANNELING RESOURCES FOR PHILANTHROPY.</li> <li>IT IS NECESSARY TO OVERCOME THE CYCLICAL VISION THAT HAVE MANY ORGANIZATIONS WITH REGARD TO SOCIAL INVESTMENT; IT HAS TO BE UNDERSTOOD THAT SOCIAL INVESTMENT IS NOT A COST TO THE ORGANIZATION, BUT AN INVESTMENT IN ITS OPERATING ENVIRONMENT, WHAT YOU CAN DO OR NOT A VIABLE BUSINESS MODEL IN THE FUTURE.</li> </ul>
<b>ALIGNMENT WITH LOCAL NEEDS</b>	<ul style="list-style-type: none"> <li>PERFORM CONSULTATIONS AND LOCAL DIAGNOSTICS AT THE DESIGN STAGE OF A PROJECT OR PROGRAM OF SOCIAL INVESTMENT.</li> </ul>	<ul style="list-style-type: none"> <li>APPROPRIATE PARTICIPATORY APPROACHES AND EMPOWERING TO ENSURE RELEVANCE AND SUSTAINABILITY OF SOCIAL INVESTMENTS.</li> <li>MAKE POPULATIONS "BENEFICIARIES" PARTICIPANTS IN THE DIFFERENT STAGES OF A PROJECT CYCLE OF SOCIAL INVESTMENT.</li> </ul>
<b>ACTIVE PARTICIPATION OF THE COMMUNITY</b>	<ul style="list-style-type: none"> <li>TAKE ADVANTAGE OF THE EXPERTISE OF NGOS AND COMMUNITY ORGANIZATIONS.</li> </ul>	
<b>EMPOWERMENT AND SUSTAINABILITY</b>	<ul style="list-style-type: none"> <li>DEVELOP SOCIAL INVESTMENT INITIATIVES WITH PARTNERS IN THE VALUE CHAIN: DEVELOPMENT OF SUPPLIERS IN LOCAL COMMUNITIES AND/OR DEVELOPMENT OF SOCIAL INVESTMENT PROJECTS WITH THE SUPPLIERS OF THE SAME COMMUNITIES</li> </ul>	

DIMENSION	OPPORTUNITIES	CHALLENGES
<b>ALIGNMENT WITH PUBLIC POLICIES</b>	<ul style="list-style-type: none"> <li>• DEVELOP AND DEEPEN THE SPACES OF INTER-SECTORIAL DIALOG TO PROMOTE A COMMON UNDERSTANDING OF SHARED RESPONSIBILITY AND COMPLEMENTARITY OF THE ACTIONS FOR THE INTEGRAL DEVELOPMENT.</li> </ul>	<ul style="list-style-type: none"> <li>• FIND AN ALIGNMENT OF SOCIAL INVESTMENT TO PUBLIC POLICIES.</li> </ul>
<b>STRATEGIC ALLIANCES</b>	<ul style="list-style-type: none"> <li>• PROMOTE A MUTUAL UNDERSTANDING ABOUT THE MOTIVATIONS, THEMES AND POPULATIONS FOR SOCIAL INVESTMENT BETWEEN THE BUSINESS SECTOR, NGOS AND THE PUBLIC AUTHORITIES. OVERCOME THE PREJUDICE AND IGNORANCE.</li> <li>• CONSIDER THE COUNTERPARTS OF A SOCIAL INVESTMENT FUND PROJECT (NGOS, COMMUNITY ORGANIZATIONS AND PUBLIC AUTHORITIES) AS SUBJECTS OF INSTITUTIONAL STRENGTHENING AND FUTURE GUARANTORS OF THE SUSTAINABILITY OF THE INITIATIVES OF SOCIAL INVESTMENT.</li> </ul>	<ul style="list-style-type: none"> <li>• IN THE CASE OF THE MULTINATIONALS THE ADDITIONAL CHALLENGE IS HOW TO TRANSLATE THE MANDATE THAT COMES FROM THE PARENT TO HAVE ANY MEANING IN THE COUNTRY AND IN THE REGION? HOW DO YOU PERFORM THE RELEVANT SOCIAL INVESTMENTS AND IN ACCORDANCE WITH THE PUBLIC POLICIES?</li> <li>• DEVELOP INTRA AND INTERSECTORAL PARTNERSHIPS BEYOND THE IMPLEMENTATION OF A SPECIFIC PROJECT. FORGE STRATEGIC ALLIANCES DURABLE AND HAVING AN IMPACT ON PUBLIC POLICIES.</li> </ul>
<b>MEJORA CONTINUA: MEDICIÓN Y EFICACIA</b>	<ul style="list-style-type: none"> <li>• PROMOTE AND/OR CARRY OUT STUDIES AND APPLIED RESEARCH ON THE TOPIC OF SOCIAL INVESTMENT AND FROM A PERSPECTIVE OF SUSTAINABILITY.</li> <li>• TAKE ADVANTAGE OF THE EXPERIENCE OF THE NGOS ON ISSUES AND SPECIFIC POPULATIONS.</li> </ul>	<ul style="list-style-type: none"> <li>• DEVELOP A CULTURE OF MEASUREMENT (OF RESULTS AND IMPACTS).</li> <li>• DEVELOP MEASUREMENT METRICS COMMON TO ALL ORGANIZATIONS AND INSTITUTIONS RELATED TO THE THEMES AND/OR STOCKS SUBJECT TO AN INTERVENTION OF SOCIAL INVESTMENT.</li> </ul>
<b>CONTINUOUS IMPROVEMENT: MEASUREMENT AND EFFECTIVENESS</b>	<ul style="list-style-type: none"> <li>• THERE IS SUFFICIENT EXPERTISE ON THE PART OF THE NGOS AND SOME COMPANIES TO WORK WITH MOST SOCIALLY VULNERABLE POPULATIONS.</li> <li>• USUALLY, THE SOCIAL INVESTMENT PROJECTS SEEK TO MEET THE NEEDS OF THE MOST VULNERABLE PEOPLE; WHAT IS REQUIRED IS TO MAINTAIN UPDATED INFORMATION WITH RESPECT TO THE SOCIAL DYNAMICS AND THE "CREATION" OF NEW VULNERABILITIES, FOR EXAMPLE IN THE FRAMEWORK OF AN ADAPTATION TO CLIMATE CHANGE.</li> </ul>	<ul style="list-style-type: none"> <li>• IN SOME COUNTRIES OF THE REGION IS REQUIRED TO EXTEND THE COVERAGE OF SOCIAL INVESTMENT PROJECTS IN RURAL AREAS AND REMOTE COMMUNITIES. IT IS REQUIRED IN THESE CASES A PARTICULAR EMPHASIS ON STRATEGIES TO COMBAT POVERTY AND IMMEDIATE ATTENTION TO THE CONSEQUENCES OF POVERTY ON AFFECTED COMMUNITIES.</li> </ul>

# ANNEX

## **ANNEX 1. GLOSSARY OF TERMS**

### **1. SOCIAL RESPONSIBILITY**

The responsibility of an organization before the impacts that their decisions and activities cause in society and the environment through a ethical behavior. (Geneva, 2009)

### **2. PARTIES CONCERNED**

It is individual or group that has an interest in any decision or activity of the Organization. (Geneva, 2009)

### **3. INVOLVEMENT WITH THE PARTIES CONCERNED**

Activity carried out to create opportunities for dialog between organization and one or more of its stakeholders with the aim of providing a sound basis for the decisions of the Organization. (Geneva, 2009)

### **4. VALUE CHAIN**

Complete sequence of activities or parts that provide or receive value in the form of products or services. (Geneva, 2009)

### **5. DEVELOPMENT SUSTAINABLE**

It is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. (Geneva, 2009)





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