



File Classification: ATN/CF-9213-RS

July 6, 2005

Mr. Glen Nichols
Director, Public Affairs
Export Development Canada
151 O'Connor Street
Ottawa, Ontario K1A 1K3
Canada

Re: Inter-American Development Bank – Export Development Canada’s contribution concerning the Third Inter-American Conference on Corporate Social Responsibility (CSR): “Who is responsible for responsibility?”

Dear Mr. Nichols:

By means of this letter agreement, the Inter-American Development Bank (hereinafter, the “IADB”) is pleased and honored to acknowledge and accept the offer of a grant of five thousand U.S. dollars (U.S.\$5,000.00) (hereinafter, the “Contribution”) from Export Development Canada (hereinafter, “EDC”) to support the Third Inter-American Conference on Corporate Social Responsibility (CSR): “Who is responsible for responsibility?” (hereinafter, the “Conference”) that is expected to take place in Santiago, Chile, on September 25, 26 and 27, 2005, substantially on the terms described in the attachment hereto (hereinafter, the “Attachment”) and in the IADB Technical Cooperation RG-T1100.

The Contribution will be accounted for separately from IADB’s assets at the discretion of the IADB, and will be administered together with other contributions received by the IADB.

The utilization of the Contribution will be subject to the following terms:

1. EDC shall make available five thousand U.S. dollars (U.S.\$5,000.00) to cover general expenses of the Conference, unless the parties agree otherwise in writing. Any major deviations from the objectives or activities described herein (including the Attachment) will require EDC’s written approval. The Contribution shall be made in U.S. dollars and the

IADB shall have the right to exchange the funds into other currencies at its discretion, without assuming any exchange rate risk.

2. The Contribution shall be transferred to the IADB in full in a single installment, upon the IADB's written request, to the account #04404221 "Inter-American Development Bank - Cofinancing Account" opened by the IADB at Deutsche Bank America Trust, New York (swift # BKTRUS33XXX). Such account is denominated in U.S. dollars.
3. EDC acknowledges and agrees that the Contribution shall be completely untied and that the procurement of goods and services to be financed with the Contribution shall be undertaken in accordance with the IADB's policies and procedures. The IADB may keep for its own account, as compensation for its administrative costs in relation to the Contribution, any investment income generated by the Contribution pending its disbursement for the Conference.
4. Unless otherwise agreed between EDC and the IADB in writing, any portion of the Contribution not used for the purposes described herein shall be cancelled and returned to EDC as soon as possible after the Conference takes place.
5. The IADB shall provide to EDC information on the use of the Contribution and the Conference as may be maintained by the IADB in the course of its regular operations, and that EDC may reasonably request in writing.
6. The IADB shall list EDC as a co-sponsor in the Conference materials. The IADB may also use EDC's name and/or logo in any other way or form in the Conference materials, including any publications and/or advertisements. EDC agrees to obtain the IADB's written consent before using the IADB's name in any way or form, related or not to the Conference.
7. EDC will be regarded as a co-sponsor of the Conference. EDC acknowledges that no other benefits will be afforded to EDC as a result of the Contribution.
8. EDC further acknowledges that the IADB's commitment to use the Contribution as contemplated herein shall be subject to the IADB's formalization of all internal approval necessary for the Conference.
9. At the IADB, the Private Enterprise and Financial Markets Subdepartment of the Sustainable Development Department (SDS/PEF) shall have technical responsibility for the Conference, including specific coordination with EDC regarding the Conference and any reporting requirements related thereto. The contact person at SDS/PEF is Mr. Antonio Vives, Deputy Manager (tel: (202) 623-1608, e-mail: antoniov@iadb.org). The Cofinancing Division of the Financial Support Services Subdepartment of the Regional Operations Department 2 (RE2/FSS/CEP) will be responsible for forwarding to EDC the transfer request mentioned in paragraph 2. The contact person at RE2/FSS/CEP is Mr. Bertus J. Meins, Chief (tel: (202) 623-2914, e-mail: bertusm@iadb.org).
10. Any communications addressed to EDC in connection with this letter agreement will be sent to your attention at the address mentioned above.
11. Subject to its policies and procedures with respect to the disclosure of information, the IADB may make this letter agreement publicly available.

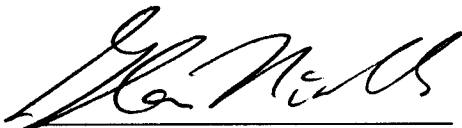
On behalf of the IADB, I wish to express our sincere appreciation for the important support provided by EDC for the Conference.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bertus J. Meins', written over a horizontal line.

Bertus J. Meins
Chief, Cofinancing Division
Financial Support Services Subdepartment
Regional Operations Department 2

Acknowledged and agreed
for Export Development Canada

A handwritten signature in black ink, appearing to read 'Glen Nichols', written over a horizontal line.

Glen Nichols
Director, Public Affairs

Date: July 15, 2005



The IDB and Corporate Social Responsibility in Latin America and the Caribbean



The social responsibility of businesses

Corporate social responsibility (CSR) usually means factoring social and environmental considerations into decision-making and into corporate strategies, going beyond the traditional way of doing business¹. It refers to a company broadening the spectrum of stakeholders to include not only senior management and shareholders, but everyone who has a stake in that company (employees and their families, suppliers, customers, the community, and the environment).

In practice, CSR envelops certain external aspects, such as supporting the communities where the business is located, as well as internal aspects, as in labor relations. As a result of responsible external practices, companies have been able to legitimize their position as environmentally responsible businesses. For a company, a boost to its reputation means gaining community acceptance and, by extension, a license to operate, as well as expanding its market share. As for the internal aspects of CSR, by voluntarily implementing better occupational health and safety standards, businesses' interest in the well-being of their employees has translated into greater job satisfaction and productivity and lower absenteeism, thus lowering labor costs.

Customers are a crucial factor in the promotion and implementation of CSR. As a company's principal source of revenue and capital, customers can have a major influence on how that company makes decisions. Thanks to these customers (consumers, in the case of consumer goods), many businesses have made changes to processes and value and marketing chains, have become more sensitive to the impact of their activities on the environment and their communities, and have become more actively involved in the promotion and implementation of public policies that benefit the community. Customers/consumers have further raised companies' level of responsibility by demanding that they select suppliers that use socially responsible practices in the production, procurement, and processing of raw materials or inputs.

In sum, CSR is seen as an important factor in the success and competitiveness of a business operating in competitive global markets, while also translating into a better quality of life for the communities in the area of influence of that business.

Rationale for the project

CSR is much more than corporate philanthropy. While corporate philanthropy has to do with donations, CSR refers to incorporating responsible practices into corporate strategy and operations,

¹ Business for Social Responsibility (an international business association that promotes corporate social responsibility) defines CSR as running a business in a way that meets or exceeds society's ethical, legal, commercial, and public expectations.

based on ethical values, compliance with the law, and respect for people, the community, and the environment.

Latin America has a grand philanthropic tradition, and while there are some cases of CSR, it is not widespread. There needs to be an effort to promote the adoption of responsible practices and demonstrate the advantages of CSR, for businesses and for society as a whole. The benefits of responsible business practices are two-fold: CSR helps to boost the competitiveness of businesses while also alleviating certain social and environmental ills. Businesses both large and small need to adopt CSR practices to address the challenges facing society and to become more competitive.

The aims of CSR coincide with the development objectives of the IDB group in the sense that they seek to improve the quality of life for communities. As is reflected in its CSR action plan for Latin America and the Caribbean (March 2003, document PS-9), the IDB group must use its ability to bring together different sectors to foster efforts to advance the idea of CSR and its adoption in Latin America and the Caribbean.

The IDB has organized three conferences on CSR. The first, *The Americas Conference on CSR: Alliances for Development*, took place in Miami, Florida, on September 24-26, 2002, was an outgrowth of the declaration formulated by the Presidents of the Americas at the Quebec Summit in 2001, wherein the member governments specifically asked the Bank to spearhead efforts to promote CSR in the region. The second was the *Inter-American Conference on Corporate Social Responsibility: "CSR as a Tool for Competitiveness,"* held in Panama City from 26 to 28 October 2003. This time the IDB continued the promotional effort on its own initiative, without the participation of the Organization of American States. The name of the conference therefore had to be changed to reflect this change; from then on it would be the *Inter-American Conference on Corporate Social Responsibility*. The *II Inter-American Conference on CSR* was held in Mexico and was titled *"From Deeds to Words"*. In September 2005 the *III Inter-American Conference on CSR* will be held in Santiago de Chile.

All these conference, with the exception of the first one, have been the result of requests of host countries, and because Brazil, Guatemala, Bolivia and Venezuela have shown interest in being host for the Conference in 2006, 2007, 2008 and 2009, respectively, it is necessary to count with funds for the initial preparations, in which period sponsors are sought, and the promotional work and design for logos and web page starts. The funds given by CEMEFI have this goal. In this way there is no interruption in the initial responsibilities of structuring an event of this magnitude.

The proposed project was designed with the aim of continuing to promote CSR practices in the region².

2 In the declaration formulated by the Presidents of the Americas at the Quebec Summit in 2001, the member governments specifically asked the IDB to spearhead efforts to promote CSR in the region.