



THE ROLE OF THE PRIVATE SECTOR IN DEVELOPMENT COOPERATION POLICIES IN LATIN AMERICA AND THE CARIBBEAN

— SELECTED CASE STUDIES —



TUDCN

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LIST OF ACRONYMS AND ABBREVIATIONS

Acuacar	Aguas de Cartagena
AECID	Spanish International Cooperation Agency for Development
AFD	Agence Française de Développement
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
AgBar	Aguas de Barcelona
ATF	Americans for Tax Fairness
AusAID	Australian Agency for International Development
CEPR	Center for Economics and Policy Research
CIDA	Canadian International Development Agency
CIP	Caracol Industrial Park, Haiti
GNSA	Coordination Nationale de Sécurité Alimentaire, Haiti
CONAMyPE	National Commission for Micro and Small Enterprises
CONGDE	Coordinator of NGOs for Development of Spain
CSR	Corporate Social Responsibility
CTSP	Confédération des Travailleurs(euses) des Secteurs Public & Privé
DFATD	Department of Foreign Affairs, Trade and Development of Canada
EWB	Engineers Without Borders
FCAS	Water and Sanitation Cooperation Fund
FNTMMSP	National Federation of Mine, Metal and Steel Workers of Peru
FtF	Feed the Future
GDA	Global Developing Alliance
IDB	Inter-American Development Bank
IFC	International Finance Cooperation
IHRC	Interim Haiti Reconstruction Commission
ILO	International Labor Organization
IMARE	Alliance for Market Inclusion of Rural Entrepreneurs, Guatemala
IPS	Inter Press Service
ITUC	International Trade Union Confederation
LAIF	Latin American Investment Facility
MEF	Ministry of the Economy & Finance, Haiti
MINEM	Ministry of Energy and Mines, Peru
MINUSTAH	United Nations Mission for the Stabilization of Haiti
MSE	Micro & -Small Enterprises
MTEP	Ministry of Labor & Employment Policy, Peru
OAS	Organization of American States
OCMAL	Observatory of Mining Conflicts in Latin America
OEFA	Environmental Assessment & Oversight Agency, Peru
OLCA	Latin American Observatory of Environmental Conflicts
PERCAN	Peru-Canada Mineral Resources Reform Project
PRODIVCOM	Diversification & Competi. Project of Assoc. Enter. of the Mining Regions of Peru
SOCODEVI	Canadian International Development Cooperation Association
SONAPI	National Association of Industrial Parks, Haiti
TUCA	Trade Union Confederation of the Americas
TUDCN	Trade Union Development Cooperation Network
UNDP	United Nations Development Program
USAID	US Agency for International Development

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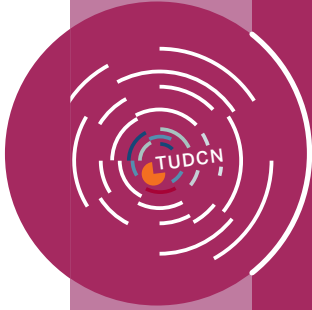
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01

Introduction, Objectives and Methodology



01 Introduction, Objectives and Methodology

01 INTRODUCTION

In recent years there is growing pressure from different countries, cooperation agencies and actors to give greater weight to the private sector in the design and access to Official Development Aid (ODA) funds. Both in discussions on Development Financing (DF) and negotiations in the post-2015 context, it has become one of the main issues on the political agenda.

One of the arguments is that greater private sector involvement would increase the funds assigned to development. It follows that, in order to meet the objectives of development, the international community “needs” the private sector. And that strengthening the private sector in the countries receiving the aid would help boost the economy and local development.

Although debatable, these arguments might be valid. However, what we see in practice is that often times the structures of cooperation and funds declared as ODA end up benefiting the private sector, particularly large transnational companies, through various mechanisms: direct or indirect subsidies, promotion of privatization of services, contribution to improve the image of certain companies, facilitate lobbying, among others.

This paper analyzes four cases in which international cooperation with Latin American countries has followed by one or more of these mechanisms benefiting certain multinational companies:

- **Peru:** “Canadian cooperation (CIDA) aligned with the interests of the large mining multinationals (Barrick Gold, Rio Tinto and others);”

- **Haiti** “international cooperation of various agencies (IDB, USAID and others) to textile *maquilas*, particularly the South Korea S&H Global;”
- **Colombia** “cooperation projects of Spain (AECID) linked to the company Aguas de Barcelona;”
- **El Salvador** “cooperation relations between the US (USAID) and Walmart.”

Through the analysis of these cases, we document concrete examples of how different actors of cooperation and the private sector are articulated, showing the true intent underlying the arguments in favor of further expanding the role of private sector in development cooperation policies. Several points of entry and indications which would be interesting to research further in the future are also mentioned.

02 OBJECTIVES

This study reviews specific cases that help exemplify the ways in which the private sector participates in the development cooperation policies of Latin America and Caribbean countries, particularly the ways in which they access or benefit from cooperation funds, and its influence on the development strategies of beneficiary countries.

It also seeks to identify the positive or negative consequences of these trends, with special emphasis on labor rights.

Through this analysis, we seek to contribute to the construction of a critical trade union position on the diversion of cooperation funds for the benefit of the private sector, in defense of public control and transparent accountability on cooperation policies and flows. It also seeks to raise awareness on the risks and sensitize trade union organizations on the need to act.

03 METHODOLOGY

This paper was developed in several successive stages between August and December 2015:

A General review of the literature and identification of cases of interest:

The literature was reviewed in the first stage of the research, including: news portals; websites of cooperation agencies and other public bodies related to international development cooperation; and webpages, reports and documents of intergovernmental social and trade union organizations. Extensive consultation was also conducted with organizations and specialists working on issues of development cooperation. (See Annex I for a list of organizations consulted and websites visited).

This first stage took considerable time given the amount of documentation reviewed and consultations conducted by phone or email.

B Selecting case studies

This extensive literature review and consultation identified at least 22 cases of possible interest (see Annex II for the list of possible cases of interest). The following criteria were evaluated with members of the Trade Union Development Cooperation Network (TUDCN) in Latin America to reach a consensus on an initial list of possible cases of interest:

- **Types of private sector participation in development policies:** Contract of infrastructure projects, public-private partnerships (PPPs), projects to create business structures, leveraging of investments, conditional aid, etc.
- **Types of cooperation and actors:** bilateral and multilateral funders, North-South and South-South cooperation and cooperation of various intermediary organizations.

- **Regional diversity** Central America, Caribbean, Andean Region, Southern Cone.
- **Timeframe** projects implemented or executed during the 2010-2015 period.

Based on this first analysis, we decided to continue analyzing the following cases to determine their relevance:

- **Peru** international cooperation and mining
- **Haiti** failure of international cooperation and of the private sector in general
- **Colombia** AECID (Spain) - Aguas de Barcelona
- **El Salvador** USAID (US) - Walmart
- **LAIF** (Latin American Investment Facility - European Commission)
- **IFC** (International Finance Corporation - World Bank)

Lastly, due to difficulties accessing the information and lack of time, on the one hand, and as it represents a small amount of ODA, on the other, the latter two cases were discarded.

C Analysis of selected cases

The methodological aspects are specified in the section corresponding to each particular case. This section refers to the general aspects on which the research process was based.

For each case we started by analyzing publicly available information from government sources of donor countries seeking to identify specific official information. Once we had identified the projects that could be of interest, we analyzed in detail the documentation provided by these same sources: project progress reports, evaluation reports, financial documents, etc.

The official data and information collected were compared with public information of the companies involved: Corporate Social Responsibility (CSR) reports, shareholders reports, documents and reports submitted by different levels within the companies.

In parallel the news published by government agencies of recipient and donor countries was reviewed, as well as announcements made by the companies themselves. This sort of announcements provides a wealth of information, which is often contradictory and difficult to crosscheck.

Lastly, we analyzed the information available on the Internet on various kinds of social and union organizations, journalistic and academic research that might be related to the specific projects or the overall performance of companies or the sector being analyzed, based on which links were established, and indications and clues to look into were identified.

Depending on the information available, for each case we sought to identify the following:

- Type of donor (country or countries, agency or agencies, etc).
- Country receiving the cooperation.
- Purpose of the cooperation project.
- Target population: Recipients of the cooperation project.
- Volume of funds provided by cooperation.
- Form of involvement and funding provided by the private sector.
- Characterization of the companies involved.
- Consequences for local development, labor rights and human rights, etc.

All monetary values are expressed in USD (US dollars) for consistency between the cases and documents analyzed. Exchange rates are to the date indicated in each case: date of publication or disbursement, as appropriate¹.

D Consultation, integration and summary

As a final step, the drafts of each case were socialized among members of the TUDCN, especially with trade union representatives from the countries involved in the case. Comments and contributions received were duly incorporated into this study.

Based on the analysis and summary of the four selected cases, a number of conclusions have been drawn and suggestions made that are detailed in the final section on the conclusions.

¹ Can be verified at the Oanda Currency Converter (www.oanda.com).



02

**Selected
Case Studies**

The image features a dark blue background with a light blue graphic design. The design consists of several concentric, broken circular lines that create a sense of depth and movement. A single, solid diagonal line cuts across the circles from the top-left towards the bottom-right. In the center of the composition, the letters 'TUDCN' are displayed in a clean, white, sans-serif font. The 'T' is partially obscured by a light blue circular shape that overlaps it.

TUDCN



PERU

DONOR

Canada

Canadian International Development Agency (CIDA) / Department of Foreign Affairs, Trade and Development (DFATD) <http://www.acdi-cida.gc.ca>

PROGRAM

PRODIVCOM

Project for Energy Diversification and Competitiveness of Associative Enterprises of Mining Regions of Peru

PAÍS/LUGAR DONDE SE EJECUTA EL PROYECTO:

Peru

Mining regions of Ancash, Cajamarca and Libertad

PROJECT INFORMATION

Number A035352-001

CIDA Contribution USD 17,400,000 (USD 16.9 million to project start date)

Executor SOCODEVI - Canadian Cooperation Society for International Development

Status Operational

Timeframe 2013 – 2020

ACTORS INVOLVED

CIDA

SOCODEVI (ONG)

Barrick Gold; Rio Tinto; Antamina (Companies)

Regional governments of Ancash, Cajamarca and La Libertad

Ministry of Agriculture, Fisheries and Livestock of Peru

Ministry of Energy and Mines of Peru

SUMMARY

With the purpose of promoting diversification and strengthening local production in the regions of Ancash, Cajamarca and La Libertad, the project subsidizes 85% of different CSR policies of the companies Antamina, Barrick Gold and Rio Tinto.

The three companies have an important presence in these regions, which are also afflicted by diverse conflicts and resistance of local communities. In addition, the CIDA project is managed by the Canadian NGO SOCODEVI which is funded, among others, by the aforementioned mining companies.

The new strategy of Canadian cooperation in relation to the extractive sector, focused on supporting the CSR initiatives of mining companies abroad, responds to the overall interest of the sector in creating a favorable climate to obtain “social license” for their activities, and ensure legal and fiscal “stability”.



PERU

Cooperation funds at the service of the transnational mining sector

INTRODUCTION

As in many other countries of the region, large-scale extractive activities have had a remarkable development in Peru in the last two decades. In fact, much of Peru's economic growth in recent years has been driven precisely by the mining sector, which has benefited from favorable international prices, as well as flexible regulatory frameworks, low tax burden, inadequate controls, corruption and complicity at various levels, including internationally (Deneault et al, 2012; Maffei et al., 2015).

Economically-speaking, in 2014 mining accounted for about 12% of GDP, and about 50% of exports (BCRP, 2015). In terms of employment, in April 2015 mining generated about 102,000 direct jobs, equal to about 1% of the country's workforce (Government of Peru, 2015a). On the other hand, there is a high level of outsourcing: according to 2013 figures of the Ministry of Energy & Mines (MINEM), 63% of workers of the sector were outsourced. There are also at least 400,000 workers in the informal mining sector (Maffei et al., 2015).

From the point of view of occupational health and safety, mining is one of the most dangerous activities. According to the ILO, mining employs 1% of workers worldwide, but is responsible for 8% of deaths at work. In 2014 in Peru, mining workers suffered 6.6% of workplace accidents recorded by the Ministry of Labor & Employment Promotion (MTPE) and 29.2% of fatal accidents (Maffei et al., 2015). According to the National Federation of Mine, Metal and Steelworkers of Peru (FNTMMSP), between 2010 and 2013 over a

thousand mineworkers have been maimed by disabling accidents, in addition to thousands affected by occupational diseases (FNTMMSP, 2014).

Mineworkers, traditionally organized into trade unions and federations with great mobilization capacity in their struggle for better working conditions, became increasingly important actors in the Peruvian mining scenario due to the impact of the violence in the eighties and neoliberal policies in the nineties. However, the last year unionization of workers of the sector rose to 38%. Miners now constitute 14.2% of all unionized workers of Peru (Maffei et al. 2015).

Without underestimating the contribution to employment of exports or the country's economy, it is necessary to take into account that, due to the characteristics of this type of operation, mining entails significant territorial occupation and the use of highly destructive practices of the environment, often times long-term and even irreversible (Coumans, 2012, Maffei et al, 2015). Indeed, the environmental liabilities² of mining are one of the main environmental concerns of the country. In a recently published report by the Ombudsman, they account for the existence of 8,616 liabilities, 4,000 of which are high risk, which is proof of the extent of the damage caused by this activity. To date, only those responsible for 1,000 of the mining liabilities have been identified by the Ombudsman (Government of Peru, 2015b).

Mining projects also generate serious social consequences in communities near the mining areas: distortions and rising prices of goods and services, real estate speculation, increased drug and alcohol consumption, human trafficking, among others. It also produces competition for the use of commons, such as water or land with other productive activities, loss of identity, threat to food sovereignty and to access to safe water (Coumans, 2012).

Peruvian trade union organizations are also affected by these problems. Workers of the sector are very concerned about the way in which mining is developing in the country. They advocate and demand the protection of

² In general, environmental liabilities are poorly abandoned facilities, effluents, emissions, residues or waste produced by inactive operations or interrupted operations in the area where the impacts have taken place and which constitute a risk for the environment and health.

their jobs and the improvement of working conditions, but also strongly question the primary export model and recognize that mining is a source of major conflicts due to the associated environmental hazards and competition for strategic resources (Maffei et al. 2015).

All these factors underlie dozens of social conflicts occurring each year caused by the opposition of local communities to the advance of various mining projects, especially open-sky mining, but also projects relating to oil drilling. According to the Ombudsman there were 214 social conflicts in October 2015, of which more than half were related to mining or hydrocarbon exploitation (94 and 23 respectively). Many of these conflicts have had a sad toll of dead and injured and the criminalization and prosecution of those opposed (Government of Peru, 2015c; OLCA, 2015; OCMAL, 2015).

Even without considering the social costs and environmental liabilities, which are mostly borne by the State and affected populations (Government of Peru, 2015b), the alleged contribution of mining to public finances through royalties and taxes does not seem such. In contrast, different studies quantify the resources foregone by the State through various mechanisms seeking to take advantage of loopholes or directly through tax evasion. For example, the LATINDADD (2015) organization has just published a report indicating that tax evasion of the Yanacocha mine in Peru exceeded USD 1,000 million between 1993 and 2013. According to Christian Aid (2009), the Peruvian State received at least USD 1,500 million between 1996 and 2008 through various mechanisms of evasion and dishonest bookkeeping. We should not overlook that the sector's margin of profit tripled, as does the industry mean at the global level: 37% for mining compared with 11% for the rest (De Echave, 2014).

When analyzing the mining sector, it is important to note its capacity to put pressure and penetrate governments of the countries where projects are located, as well as of the countries where their main offices are domiciled. For example, in Canada, where over 75% of the world's mining companies are registered (Government of Canada, 2009), the members of the Lower Chamber that submitted Bills to reinforce the sector's regulation received threats and their projects were not even discussed.³ Conflicts

3 Although very timid, there were several bills that, among others, intended to condition public aid to mining (including CIDA funds) to compliance with certain

of interest and penetration into political power are evident. Several former Canadian Prime Ministers and former Ministers were later appointed board members of some of the largest mining companies (Deneault, 2012).

The cooperation policies of these countries are also affected by this penetration. For example, a senior executive of Rio Tinto Alcan was one of the five members on the advisory committee for the restructuring of the Canadian International Development Agency (CIDA) in 2013 (Payne, 2013). Cooperation agencies are pressured by the sector and sometimes even act in favor of mining companies.⁴ Specifically, they finance different activities with funds of the Official Development Aid (ODA) whose overall objective is to create a favorable environment for the mining companies registered in their country. Projects of the Canadian or Australian cooperation “*adapt*” the regulatory framework⁵ to build infrastructure or technological developments that are indispensable to the viability of certain projects,⁶ to “*train*” professionals and public officials (training sometimes provided by the companies),⁷ events seeking to “*clean*” the image, provide

ethical standards of respect for human and environmental rights. These projects were not approved, and some were not even discussed, and their authors were threatened by mining companies. (Deneault et al, 2012)

4 Among other initiatives financed by the Canadian cooperation, in May 2013 the Canadian International Institute for Extractive Industries and Development (CIIEID) was founded. During a presentation to the Mining Association of Canada a few weeks after its founding, the former Canadian Minister of International Development assured representatives of mining companies that the Institute “*will be your highest and best ambassador*”. (www.miningwatch.org)

5 There are several projects relating to “improvements” in the regulatory framework in the extractive sector. Simple browsing through different websites and newspapers suffices to appreciate that, in practice, in most countries of the region weak controls, tax benefits, social unrest, and recurrent environmental disasters related to mining persist or get worse.

6 In Colombia, the CIDA funded the installation of a satellite geological survey system, built and operated by the Canadian company Radsat International Inc. and the Canadian space agency, whose services can only be contracted by large transnational mining companies (Delanaut, 2012).

7 Some of the courses that are part of the training provided by the IM4DC (funded

advertising and contacts,⁸ etc.

CANADIAN COOPERATION AND MINING IN PERU

The case of Canadian cooperation is especially interesting due to the role of the country in transnational mining. Many authors consider Canada as a tax and legal haven due to its flexible regulatory framework and guarantees of protection that the country offers to big mining investors, even for their investments abroad (Deneault et al, 2012).

Peru is one of the countries with strong presence of Canadian mining companies. According to media reports, in 2014 64 mining companies registered in Canada were operating in the country.⁹ In turn, Canada ranks tenth among the countries with cooperation projects in Peru. According to the Department of Foreign Affairs, Trade & Development of Canada (DFATD), Canada's cooperation has implemented over 100 "development cooperation" projects involving Peru, 34 of which were national and the others were regional. Furthermore, of the projects developed exclusively in Peru, most targeting extractive industries, and at least 10 are specifically related to mining or targeting communities where mining projects are developed.¹⁰

by AusAID) are imparted by the mining companies. In the Agency's evaluation of the program, it noted that the participation of these companies in all training activities should be expanded, and also in the design and planning stages of the AusAID program. (Government of Australia, 2014)

8 In 2009 the CIDA funded an event on mining during an OAS meeting in which Barrick Gold presented its CSR policies to the governments of the region (OLCA - <http://www.olca.cl/oca/chile/region03/pascualama419.html>). In 2013, AusAID funded a conference in Sydney attended by 600 people, including representatives of mining companies and officials from 69 countries of Africa, Latin America and Asia. (Government of Australia, 2014)

9 <http://gestion.pe/empresas/mineras-canadienses-operando-peru-se-redujo-93-64-al-cierre-2014-2132043>

10 <http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/fWebCSAZEn?ReadForm&idx=00&CC=PE> [November 8, 2015]

One project that is well worth mentioning is PERCAN (Peru-Canada Mineral Resources Reform Project). This project had a budget of about USD 14 million and extended from 2002 to 2012. As stated on the CIDA website, the project sought to provide technical assistance to the MINEM to reform the regulatory framework of the mining sector.¹¹

Although the Canadian International Development Agency (CIDA)¹² considers that its results are positive, in practice Peru is experiencing increased social unrest associated with mining activities and downward reform of regulations: reduction of environmental fines, reduction of competencies of the Environmental Assessment & Control Body (OEFA), reduction of the time to analyze Environmental Impact Assessments (EIAs), decreased liability of employers on occupational health and safety, write-off of taxes for large companies, guarantees of fiscal stability for large-scale mining, among other advantages for the extractive sector¹³ (Government of Peru, 2015b; Maffei et al, 2015).

As shown on the PERCAN website¹⁴, the executing agent was Canadian consortium Roche Ltd.,¹⁵ one of Canada's largest engineering and construction companies with operations in over 55 countries and among whose members are gas and oil companies and mining services providers.¹⁶

11 <http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/projEn/A031548001> [Revised November 8, 2015]

12 In 2013 the CIDA was absorbed by the Department of Foreign Affairs, Trade and Development (DFTAD). However, this document will continue referring to CIDA in relation to the projects and funds of the Official Development Aid (ODA).

13 Many of these changes were included in the package of economic reforms approved by the Government of Peru in July 2014, which was strongly rejected by social and union organizations, including workers of the mining sector and even by public bodies (Government of Peru, 2015b; Maffei et al, 2015).

14 <http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/projEn/A031548001> [Revised November 8, 2015]

15 <http://www.roche.ca/en/> [Revised November 8, 2015]

16 <http://www.roche.ca/en/about-us/#roche-membres> [Revised: November 8, 2015]

The incompatibility and conflict of interest is evident. It is absolutely questionable and unethical for a cooperation project that seeks to strengthen the regulatory framework and oversight of the mining sector to be managed by the very companies that would be affected by more stringent rules and controls.

THE USE OF COOPERATION FUNDS TO FACILITATE “SOCIAL LICENSE”

In 2009 the Government of Canada announced a new international strategy for the extractive sector called *“Building the Canadian Advantage: A Corporate Social Responsibility Strategy for the Canadian International Extractive Sector”*. This marks a reorientation of Canada’s cooperation policy, further deepening its focus on its own commercial interests, particularly those of large Canadian mining companies, over and above goals such as poverty reduction. Former Minister of International Cooperation, Julian Fantino stated *“rather than be limited to fighting poverty, the Canadian International Development Agency should play an active role in the promotion of the country’s economic interests abroad”* (Mackrael, 2012b).

The new strategy mandates the CIDA to work in partnership with the mining sector in the Corporate Social Responsibility (CSR) policies (Brown, 2014; Coumans, 2012). Some authors suggest that this strategy responds to pressure from mining companies to obtain greater support from the government and the CIDA in view of the growing resistance of local communities (Coumans, 2012). As quoted in several articles, Canadian NGOs argue that the Canadian Chamber of Commerce and Barrick Gold are behind the new strategy (Saunders, 2009).

Since then, projects with various mining companies operating in Peru and other countries have multiplied, sometimes with the intermediation of major Canadian NGOs, others with direct links to mining companies. Some of these projects are presented as *“pilot projects”*, which could lead to thinking that these initiatives are expected to replicate and expand in the future as a way of *“diverting”* cooperation funds (Brown, 2014).

LOCAL DEVELOPMENT OR SUBSIDIZED PUBLICITY

A review of the DFATD webpage¹⁷ shows that of 18 currently operational projects, at least 7 relate to mining or specifically target mining communities. A review of each project shows that many projects have direct links with large mining companies registered in Canada.

For example this orchestration can be clearly seen in the latest project called “*Competitiveness and Diversification Project of Associative Enterprises of Mining Regions of Peru*” (PROVIDCOM)¹⁸. This project began in March 2013 and was extended to 2020. It is developed in several regions with strong presence of large transnational mining companies: Ancash, Cajamarca and La Libertad.

The overall objective declared by DFATD is to contribute to the diversification of these regions, particularly of the agriculture and forestry sectors, and to strengthen production cooperatives by improving their competitiveness and facilitating their access to domestic and international markets.

The entity responsible for the execution of the project is the Canadian NGO SOCODEVI (Canadian Society for International Development), an organization that is also executing CIDA-funded projects in other countries, with mining giants like Barrick Gold, Rio Tinto and Antamina Mining; organizations like IDB and the World Bank; as well as cooperation agencies of other countries among the funders and sponsors.¹⁹

According to the website of the Canadian Embassy in Peru, “thanks to the contribution of Barrick Gold, Antamina and Rio Tinto the [PRODIVCOM] project has totaled USD 20 million.²⁰ This argument seeks to justify

¹⁷ <http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/fWebCSAZEn?ReadForm&idx=00&CC=PE> . See also <http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/vWebCSAZEn/48300A9DCF0EA77585257B18003B2858> [Revised: November 10, 2015]

¹⁸ <http://prodivcom.socodevi.org/proyecto/estrategia/> [Revised: November 10, 2015]

¹⁹ <http://socodevi.org>

²⁰ [Revised: November 11, 2015]

partnerships with the private sector based on the alleged mobilization of additional funds (leveraging), however, the official information available on the DFATD website shows that almost USD 17 million (85%) are provided by the CIDA. According to Barrick, the company contributes USD 1.7 million,²¹ leading to the assumption that the other two companies contribute the rest. Although these figures are somewhat different to those posted on the website of the Project, CIDA's participation is very similar to the contribution of the companies.²²

The official website of PRODIVCOM also recognizes that the three regions where the project is being implemented are regions in which the three companies are operating. Significantly, they are regions with a high level of social unrest related to mining activities (Government of Peru, 2015b).

For example, in Quiruvilca (La Libertad), hundreds of outsourced workers at the mine operated by Barrick Gold in the area began a strike on May 29, 2015 and blocked the access road to the mining area demanding respect for their labor rights, including agreements signed after a similar shutdown in 2013. The blockade, in which the local community participated, lasted until mid-June 2015, and ended with clashes and hostage-taking, and police repression which was mobilized to ensure access to Barrick facilities.²³

It should be noted that these mining companies have received grave

21 <http://barrickbeyondborders.com/people/2014/02/barrick-breaks-new-ground-in-peru-agro-forestry-with-canadian-partners/> Exchange rate calculated on the date of publication (February 2014) [Revised: November 11, 2015]

22 As indicated in the project's official website, the total PRODIVCOM budget is more than USD 23 million Canadian dollars, of which CIDA contributes USD 16.9 million Canadian dollars. The other part of the funding is provided by mining companies operating in the 3 regions "benefited" by the project: Barrick Gold, Antamina and Rio Tinto. <http://prodivcom.socodevi.org/proyecto/financiadores/> [Revised: November 11, 2015]

23 <http://trujilloinforma.com/la-libertad/dialogo-con-trabajadores-de-contratas-de-barrick-evito-que-bloquearan-la-carretera-al-interior/> and <http://larepublica.pe/impresia/sociedad/7413-quince-heridos-deja-enfrentamiento-entre-policias-y-trabajadores-en-quiruvilca> [Revised: November 10, 2015]

denunciations in different parts of the world. For example, Barrick Gold is considered one of the most controversial companies in the world. The RepRisk organization, which assesses the environmental and social performance of various sectors, has repeatedly ranked Barrick Gold as one of the top 10 most controversial mining companies (RepRisk, 2009 and 2011).

When the project was launched in 2014, announcements by the actors involved were multiplying in the media and the Internet. At the close of this paper, baseline studies had been conducted and the creation of five cooperatives of small agricultural and forestry producers in Ancash had been announced. However, the official website of the project has no new information since June 2014, nor do the CIDA and SOCODEVI webpages show results of the project. It is also interesting to note that the goals of the project detailed in the official documentation of the project are very different from those declared in public announcements of the Canadian Embassy in Peru, SOCODEVI and the companies involved. For example, the official documentation of the project sets the goal of directly benefiting 3,000 small agriculture and forestry producers, yet public announcements notably expand these figures to 8,000 direct beneficiaries and 24,000 indirect beneficiaries. It is also important to note that this type of bombastic announcements on the local webpages (in Spanish) and local newspapers of the country receiving the cooperation is much less visible in Canadian websites or media.

From the above, the true beneficiaries of this project, 85% of which is funded by the Canadian cooperation, i.e. the money of Canadian taxpayers, are revealed. Under the praiseworthy intention of contributing to the diversification and development of local production cooperatives, something absolutely necessary in Peru, in practice the Canadian cooperation agency is subsidizing “*advertising*” strategies by financing voluntary CSR policies, contributing to “*whitewash*” the image and legitimize the activities of highly controversial and resisted companies in the world.

In addition to contributing to improve the competitiveness of large mining companies in several ways:

- Promoting a favorable climate for mining companies on the part of regional and local authorities that see these projects as a way of meeting long-neglected social demands;

- Contributing to lower levels of local conflicts in order to obtain the desired “social license” for their operations;
- Inducing local communities to perceive mining companies as philanthropic agents, reducing the focus on their practices and accountability;
- Providing protection to mining companies against possible changes in the law, increases in charges, royalties, etc.

The true intention of this kind of cooperation was clearly signaled by the companies of the sector at the time of reformulating the Canadian cooperation strategy. According to the interview quoted in the Ottawa Globe and Mail, Pierre Gratton, president of the Mining Association of Canada, said that such projects “*make it easier for mining companies to sell their, sometimes controversial, projects to the local population*” (Leblanc 2012). Similarly, Julian Fantino, Minister of International Cooperation at the time stated “*CIDA’s work with mining companies will help improve their international competitiveness*” (Mackrael 2012a).

CONCLUSIONS

The Canadian government seeks to justify such projects arguing that they mobilize and leverage private sector resources. However, as described above, often times it is the government that provides the bulk of resources.

It also seeks to present the sector as key agent and driving force of development for the countries receiving the aid. There is, however, extensive information and knowledge on the evils that accompany these projects, which often preclude true long-term development and leave a trail of severe social and environmental consequences.

The main benefit for the companies would be the legitimacy and protection that holding hands with the CIDA provides. Mining companies thus become “*philanthropic*” organizations, which would facilitate the circum-

vention of responsibility for their harmful or dishonest practices, or the avoidance of increases in charges or royalties. Communities in mining areas might interpret that mining projects are associated with official Canadian funds leading to improvements in infrastructure, education, health which, more often than not, are longstanding social debts.

Lastly, it would be advisable to conduct a specific study on the role of cooperation agencies in the mining sector, not only in relation to Canada, but also in other countries with strong mining presence, such as Australia and its *"Mining for Development"* Initiative (AMDI).

NOTES ON METHODOLOGY

The decision to analyze the mining issue was made in conjunction with members of the Latin American TUDCN based on several factors: the extremely high social conflict related to this issue, questions as to its real contribution to employment and to the economies of the countries in which these mining companies operate, the strong presence of transnational mining companies in the region, in particular mining companies registered in Canada.

Although initially the role of cooperation agencies was not so clear, we found various possible lines of investigation once we started to look into the issue in more detail, especially Australian and Canadian cooperation projects. After looking into the volume of funds and the number of projects implemented or underway, we decided to focus the analysis on the Canadian cooperation in Peru.

We analyzed a total of 110 Canadian cooperation projects in Peru and decided to focus on the most recent one, the PRODIVCOM project that was developed in mining regions with direct involvement of the private sector.

We studied the official information available on the DFATD website and the various websites of Peruvian and Canadian entities involved in the project. We also looked into NGO websites and Canadian and Peruvian newspapers, and consulted specialists of non-governmental organizations and resistance movements of both countries.



Haiti

DONORS

- IDB (International Development Bank)
www.iadb.org • USAID • www.usaid.gov

BENEFICIARY / LOCATION

Haiti, North-Northeast Corridor (Caracol and surrounding areas)

PROJECTS

IDB

Projects for the construction of the Caracol Industrial Park (CIP)

HA-L1101 Infrastructure Program IV, totaling USD 41 million, approved in December 2015

Background

HA-L1076 (approved in 2012, USD 50 million, 84% disbursed)

HA-L1081 (approved in 2013, USD 40.5 million 85% disbursed)

HA-L1091 (approved in 2014, USD 55 million 25% disbursed)

USAID

Power generation plant for the CIP UNDERWAY

Housing scheme for workers of the CIP CUT

Construction of new port for the CIP CANCELLED / REFORMULATED

ACTORS INVOLVED

IDB Inter-American Development Bank

USAID US Cooperation Agency

MEF Ministry of Economy & Finance of Haiti

SONAPI National Association of Industrial Parks

S&H Global (textile maquila)

SUMMARY

Following the tragic earthquake in Haiti (2010), the international community pledged billions US dollars of humanitarian assistance, aid for development and reconstruction. Over the years, the level of execution of the funds has been low and the goals have not been reached: many housing and infrastructure projects were cut or canceled, and others show construction deficiencies; there were problems in design, planning, cost overruns and lack of control.

In addition, the vast majority of resources was channeled through private actors, in general foreign, often inexperienced, with little knowledge of the country, without any coordination between the institutions, governments and local actors.

One of the most publicized international cooperation projects was the construction of the Caracol Industrial Park (CIP), an export processing zone primarily intended to set up the S&H Global maquila, which in turn benefits from the differentiated treatment that textile imports from Haiti enjoy in the US.

The CIP, in use as of 2012, is built with non-refundable funds provided by the IDB. USAID funds are allocated to infrastructure projects necessary for the operation of the CIP (power generation plant, housing and port construction works). The overall project has been designed according to the needs and expansion plan of S&H Global.

The stated objective is to promote local development through the generation of tens of thousands of jobs. To date, employment generation is below expectations and working conditions are far from what could be considered decent employment: salaries do not cover 25% of the most basic needs; there have been allegations of harassment, persecution and abuse; and health and safety conditions are precarious.

Clearly, these projects not only benefit private companies with exorbitant profit, but do not promote local development at all or inclusive sustainable development. In particular, poor working conditions are one of the key factors to maximize the margin of profit for these companies.



HAITI

The failure of international cooperation. Benefits for corporations and violation of rights of the Haitian people

INTRODUCTION

Haiti has a population of about 11 million inhabitants, with the vast majority living in the capital city, Port au Prince. According to the IDB, in 2012 unemployment was around 40% and poverty 59% (IDB, 2015a). In a country where more than 50% of food is imported (IPS, 2010), about 3 million people suffer food insecurity (CNSA, 2013).

The active labor force is slightly over 4 million people, distributed in agriculture (66%), the service sector (25%) and manufacturing (9%). According to IDB data, more than 70% are informal workers (IDB, 2015a). In addition, 60% of workers earn less than the minimum wage (CEPR, 2015).

In 2014, imports reached USD 3,400 million and exports were USD 956 million, of which 73% went to the US. With 90%, the textile industry is the largest export sector (IDB, 2015a). Remittances are very important for Haitian households and, as of 2008, they have exceeded USD 1,300 million annually. It is estimated that remittances account for 30% of the family income, and are mainly assigned to the education of children²⁴ (Herbst, 2013).

All these factors make Haiti one of the poorest countries in the world and one of the largest recipients of international cooperation. Despite all the initiatives and cooperation projects of governments, multilateral agencies, NGOs and private entities, the country has not managed to solve

²⁴ 98% of the country's schools are private (Herbst, 2013).

major social deficits and its dependence on external aid has grown, thus weakening the State (Equal Times, 2014).

THE NON-VIRTUOUS CYCLES OF INTERNATIONAL COOPERATION WITH HAITI

As of the fall of the Duvalier regime in the mid-80s, Haiti has received considerable flows of international cooperation. As of 1993 the country has also had more than 20 years of United Nations intervention through continuous “*peace missions*”. Unlike previous missions, the current intervention of the MINUSTAH has a strong presence of Latin American countries such as Argentina, Brazil and Chile.

Although in the past two decades Haiti has received a considerable volume of development assistance funds and the relations of cooperation have had a cyclical pattern responding to the exercise of what some authors call “*coercive diplomacy*”: large cash outlays associated with strong conditions, followed by important cuts and even trade embargoes that have led to blocking or cancellation of cooperation projects and the imposition of new conditions.²⁵ This cyclical pattern has strangled the Haitian economy, generating increased dependence on external resources, the breakdown of local trade and production circuits, the progressive deterioration of the social situation and, therefore, the impossibility of any kind of autonomous development (Gotson, 2013; Herbst, 2013).

As of 2004 attempts were made to achieve some stability by establishing an “*Interim Cooperation Framework*”, with the objective of contributing to

²⁵ For example, between 1990 and 2000 the country received about USD 1,200 million ODA, but the flows were not constant but highly variable due several factors. Between 1991 and 1994 a trade embargo limited or paralyzed aid. The embargo imposed strong conditions to access new cooperation funds, among others, the ban by the World Bank and the International Monetary Fund to distribute fertilizer and equipment to small farmers, which ended up destroying local agricultural production and promoted dependence on food imports, which continues to date. A new cycle of assistance (1995-2000) that only in 1995 mobilized over USD 500 million ODA, was followed by a new trade embargo (2001-2004) that reduced the support of the international community to a minimum. For example, the US vetoed the execution of USD 400 million IDB funds for health programs, education and water supply.

governability and the conduct of the 2006 elections. This stage was characterized by greater presence of regional actors and flows of South-South cooperation. However, the ODA received by Haiti was lower than deemed necessary by the studies of multilateral organizations. Moreover, it was provided simultaneously to a decline in direct investment, and constant and growing pressure for payment of the external debt (Herbst, 2013, Government of Haiti, 2009).

Citing a 2006 UNDP study, Herbst noted that the forms that the ODA had been adopting had some negative characteristics that, according to some authors, persist even today. Among others: much of the ODA had been tied (conditioned to procurement or contracting with companies of the donor country); monitoring and evaluation reports were confidential, hindering evaluation, rectification and coordination, which could have helped increase the effectiveness of the aid (Herbst 2013).

Other authors also mention the almost nil involvement of governments and local actors in the identification of needs, planning and execution. Externally imposed projects were common, with very little knowledge of local reality, and virtually no ownership by the alleged beneficiary communities (Herbst, 2013).

With poverty levels above 55%, chronic hunger or malnutrition of 40% and over 54% unemployment, on January 12, 2010 the country suffered an earthquake of 7 degrees on the Richter scale. The consequences were devastating: more than 230,000 dead and 300,000 injured; hospitals, educational establishments, public buildings, transportation systems, distribution and supply, and some 200,000 homes were destroyed; a million and a half people displaced to “*temporary shelters*”, and 20% of Haitian workers lost their job or livelihood. Three months later a cholera epidemic caused the death of at least 8,000 people²⁶ (CEPR, 2015; TUCA et al., 2010; HGW, 2012).

26 There are many complaints filed on the role of the UN, both for responsibility in the cause of the epidemic and for the implementation of sanitary measures. More information at <http://www.equaltimes.org/brote-de-colera-en-haiti-es-hora>

INTERNATIONAL SOLIDARITY FOR THE HUMANITARIAN EMERGENCY AND RECONSTRUCTION

Given these events, the shocked international community urgently convened the *“International Donors’ Conference Towards a New Future for Haiti”* in New York on March 31, 2010, in which countries and various multilateral agencies and programs pledged funds (humanitarian aid and development cooperation) for USD 5,300 million over two years, to be managed by an *“Interim Haiti Recovery Commission”* (IHRC) led by former President Bill Clinton and Haitian President Michel Martelly. United Nations committed USD 13,340 million until 2020 (HGW, 2011a; EWB, 2011; NBCNews, 2015).

On occasion of the Conference, the international trade union movement called on all donors to *“give priority to workers’ rights, social protection and the creation of decent work”* in the process of aid and reconstruction, and insisted on the need to *“consult and cooperate with workers’ organizations at the time of reactivating the economy and local and national sources of employment”*. It also launched a solidarity campaign and called for an international trade union summit to design a work plan for the reconstruction and development of Haiti (TUCA et al., 2010).

One year after the New York Conference, the international community had barely disbursed 20% of the USD 5,300 million that had been pledged; and in 2012 the United Nations had disbursed less than 50% (HGW, 2011a; EWB, 2011; NBCNews, 2015).

A first telling statistic on how cooperation funds have been functioning is that of the total aid to address the emergency, estimates establish that only 1% reached the government. Furthermore, in the case of reconstruction funds, only 7% of bilateral aid and 23% of multilateral aid were channeled through the government (Gotson, 2013).

The bulk of the money has gone to private hands, to foreign entities in particular. For example, in 2012 USAID reported that, of the USD 700 million spent between 2010 and 2011 in humanitarian projects in Haiti, only USD 9.5 million (1.35%) reached Haitian stakeholders. Of the USD 400 million in contracts, only 0.02% was allocated to Haitian firms, while 77.5%

was allocated to registered firms in Washington's²⁷ industrial belt, and the remaining 22.5% to other firms²⁸ (CEPR, 2012; Equal Times, 2014).

Articles and accusations in the first years after the earthquake speak of the massive presence of foreign investors looking to do business with reconstruction projects, benefiting from the flows of money that had been committed, and some "*comparative advantages*", such as the very low cost of labor, investment subsidies, the tax exemption regime guaranteed for 15 years, and the US preferential treatment laws²⁹ (IPS, 2011a and 2011b).

The general justification for channeling money through non-state entities has been the lack of capacity, high corruption and inefficiency of public institutions (Equal Times, 2014; Public Integrity, 2012). Indeed, some authors note that there has been a marked lack of interest in strengthening state structures, implementing public policies or empowering the local level in the development assistance programs of the last 20 years, which has perpetuated a non-virtuous cycle of dependency and submission.³⁰ (Herbst, 2013).

The numerous and highly commendable initiatives of many organizations and international NGOs seeking to contribute to the solution of basic and urgent matters for the quality of life and subsistence of the neediest merits a separate paragraph. However, distrust of government capacities, often times justified due to blatant corruption and political

27 Firms domiciled in the "Beltway", which includes Maryland, Virginia and Washington.

28 Although this has been recognized by USAID, the proposal reported in some newspaper articles indicating that in coming years 17% of ODA would be allocated to local actors does not seem very ambitious (NBCNews, 2015).

29 The HOPE I (2007), HOPE II (2008) and HELP (2010) Laws ensuring differential treatment for textile imports from Haiti to 2020. A law is currently under discussion in the US Congress for an extension until 2025. See <https://www.govtrack.us/congress/bills/114/hr1891>.

30 According to analysis by Herbst (2013), between 2005 and 2008 only 4% of the cooperation funds from multilateral agencies were allocated to institutional strengthening, the lowest of all the line items.

instability, have led to many disjointed efforts without genuine ownership by local actors, whereby they have lost effectiveness and, in some cases, may have even weakened the organizational and response capacities of Haitian people. Several organizations indicate that many private entities and NGOs acted in parallel, without coordination with the State, further weakening institutions and even damaging the local economy by competing with local companies and suppliers with sufficient capacity to deliver goods and services efficiently (Equal Times, 2014; Herbst, 2013, Public Integrity, 2014).

MANIFOLD IRREGULARITIES AND COMPLAINTS IN THE “RECONSTRUCTION” PROCESS

Since then, accusations of misuse, diversion or discretionary utilization of cooperation funds continue to accumulate. In the early years, many Haitian and international organizations asked “*Where is the money for Haiti?*” referring to the very low levels of execution and poor results. However, the answer to this question is not easy. According to some authors the information is confusing and shows important voids. In the US, given the lack of accurate data and information on USAID projects in Haiti, a law has just been passed to improve access to information on the use of cooperation funds.³¹ (Equal Times, 2014; NBCNews, 2015).

Housing projects are among the most questioned.³² The initiatives of var-

31 A report by the US government states that USAID submittals to Congress do not include sufficient information on the use of funds and implementation of activities, so Congress does not have sufficiently detailed information on the progress of reconstruction projects, the amounts pledged and actual disbursements (US Government, 2013). According to the ranking produced by International Aid Transparency Initiative (IATI), USAID, the agency that channels most of the US ODA and one of the major funders for the reconstruction of Haiti is ranked 31 among 68 countries, with a satisfaction level of 40.3 out of 100. Among the main shortcomings preventing public access to information are lack of documentation on the projects, lack of clarity and lack of disaggregated data, which obstruct monitoring and possibly lead to confusion. <http://ati.publishwhatyoufund.org/donor/usaid>

32 Another controversial case is the massive introduction of Monsanto hybrid corn seeds through USAID as part of programs to support small farmers. According

ious governments and multilateral agencies showed numerous problems. In 2014, many of the homes built (much less than what had been projected) were occupied irregularly and without access to basic services (water and electricity). Many of the occupants are people who, albeit suffer a housing problem, they are not victims of the quake. The vast majority of quake victims are poor and cannot afford a mortgage or rent (HGW, 2014).

For example, the “400 in 100” IDB project (400 houses in 100 days), with a budget of approximately USD 30 million, was inaugurated in 2012, but water and electricity were only provided in 2014 due to lack of budget. The neighborhood was built for victims of the earthquake, but mostly civil servants live there, who can pay USD 39-45 monthly for the mortgage (HGW, 2014).

In 2011 the Reconstruction Fund committed funds worth USD 254.5 million to build or repair 41,759 homes of victims of the earthquake. In 2011 Haitian organizations denounced that only about 5,400 houses (13%) were to be built in northern Haiti, a region unaffected by the earthquake but where, under the euphemism of “*Industrial Park*”, an export processing zone was being built mainly for textile maquila called the Caracol Industrial Park (CIP) (HGW, 2011a). Among the arguments of those who defended this investment was the need to promote the development and the movement of the displaced population to the north and northeast of the country (Gender Action, 2013; IPS, 2011).

Finally, after a sluggish start, in recent years 95% of the million and a half people who had moved to camps have been transferred, although many have been transferred to extremely precarious “*temporary shelters*”. Today, almost six years after the earthquake, 85,000 people are still living in camps and some 200,000 are living in wooden huts without access to water, electricity or sanitation in marginalized areas of Port au Prince (HGW, 2014; NBCNews, 2015).

to reports from various organizations, USAID accepted the donation of Monsanto ignoring the recommendation not to accept it in various reports of experts assessing the situation of food production after the earthquake. Monsanto would have used USAID capillarity and outreach programs to introduce hybrid seeds that are not authorized in Haiti, displacing native seeds and creating future dependence (HGW, 2011b).

In addition to the general lack of planning and management (HGW, 2014), the hiring of foreign companies, subcontracting, outsourcing and overpricing are among the difficulties that might explain miscellaneous delays and deficiencies (NBCNews, 2015). For example, a US government audit that reviewed several USAID projects points to a case where underestimation of costs, changes to the project and ongoing delays increased the budget from USD 59 million to USD 97 million. The goal of the original project was to build 4,000 homes, which was cut to just over 2,000. In 2015, only 906 homes were built (US Government, 2015).

Moreover, some current cooperation projects could be contributing even further to the privatization of services. For example, given a precarious system that leaves 70% of the population without electricity, USAID is funding a program “*Reform of the Electricity Sector*”.³³ As part of the project, a “*Transition Management Agreement*” has been established that temporarily places the management of the public electricity service in the hands of the US Tetra Tech company which, on its own website, underscores its past leading role in the privatization of the electricity services in many Central American countries.³⁴

THE USE OF DEVELOPMENT AID TO BENEFIT THE TEXTILE MAQUILAS

In 2011 IDB officially launched the project for the construction of the Caracol Industrial Park (CIP), a project shared with the governments of Haiti and the US, the Clinton Foundation, and Sae-A Co. Ltd., the South Korean textile giant supplying firms such as Walmart, GAP or Levi’s, and which, through its subsidiary S&H Global, would be the main leaseholder of the CIP (IDB, 2011; SONAPI, 2015).

The purpose of the construction of the CIP was publicized as generating employment and economic growth in one of the poorest regions of the

³³ USAID. Reform of the Electricity Sector. <http://map.usaid.gov/PublicProjectDetail?id=a0cd0000011rIRAAQ&cid=Haiti>

³⁴ Tetra Tech. USAID clean energy initiative for Central America. <http://www.tetratech.com/en/projects/usaid-central-america-regional-clean-energy-initiative>

country. At the time of the inauguration much was said about the creation of tens of thousands of jobs. In some announcements even up to 65,000 new direct jobs were mentioned (IDB, 2011).

The IDB plays a central role in the realization of the CIP. As of 2011 three projects have been implemented³⁵ and a fourth project has just been approved,³⁶ all of them non-refundable. The one that has just been approved includes the “*National Society of Industrial Parks*” (SONAPI) as executing agency with the Ministry of Economy & Finance of Haiti, and has set as the goal of creating 5,400 additional jobs for 2019, of which 3,150 would be for women (IDB, 2015a).

The project envisages the construction of basic infrastructure and new industrial buildings “*to meet the current demand for facilities generated by the expansion plan of the anchor leaseholder*”, as explicitly stated the information available on the IDB website, i.e. to facilitate the expansion and increase the profit of the main leaseholder, the S&H Global textile maquila. The justification provided is the strategic decision to “*strengthen the anchor leaseholder because its success is critical to attract others in the future*” (IDB, 2015a).

According to the same IDB document, this would not be the only benefit. In addition to the tax benefits enjoyed by all textile maquilas in Haiti, S&H Global is exempt of the payment of the rent of the industrial facilities it currently uses until 2016, and of the rent of the new facilities until 2020. The CIP is expected to start showing a positive balance as of 2018, and until then IDB will cover the deficit (IDB, 2015a). A question to be asked is what will happen when the tax exemption regime or differential treatment for Haitian textile imports into the US conclude. Most likely these companies

35 HA-L 1076, project approved in 2012 for a value of USD 50 million to November 2015 had paid 84% (<http://www.iadb.org/en/projects/project-description-title,1303.html?id=HA-L1076>); HA-L1081, approved in 2013 for an amount of USD 40.5 million, in November 2015 had paid 85% <http://www.iadb.org/en/projects/project-description-title,1303.html?id=HA-L1081>); HA-L1091, approved in 2014 for USD 55 million, in November 2015 25% was disbursed (<http://www.iadb.org/en/projects/project-description-title,1303.html?id=HA-L1091>).

36 Project HA - L1101: “Productive Infrastructure Program IV” (<http://www.iadb.org/en/projects/project-description-title,1303.html?id=HA-L1101>).

will seek to relocate to other countries offering more advantageous conditions, as already happened when S&H Global moved its plants from Guatemala to Haiti in 2012 following, precisely, the construction of the CIP.³⁷

In addition to investments to build the facilities of the “*industrial*” area, the project requires large investments in infrastructure and services, without which the CIP would not work. These infrastructure projects would be financed largely by USAID, with at least USD 170 million to build a 25 megawatts power plant and a new exit port of goods towards the US. USAID also planned to build 5,000 homes in villages near the CIP (IDB, 2011; CEPR, 2013a; US Government, 2013).

Despite commitments and the volume of funds provided, part of the works planned by USAID are unfinished, the targets were lowered or canceled. USAID has recently withdrawn from a housing construction project in the CIP pledged with the Christian organization “*Food for the Poor*” (Luke, 2015). There are also complaints of the poor quality of the housing and non-compliance with building codes in the Caracol-EKAM project (US Government, 2015), resulting in the termination of contracts with several contractors (HRRW, 2015).

In the case of the construction of a new port, USAID has spent more than USD 4.25 million in the feasibility studies by private US companies that had already been called into question over previous contracts; the conclusion has been that the construction of a new port would not be feasible with the expected costs and deadlines (CEPR, 2013 and 2015). After two years seeking other funders, it was finally decided to allocate the resources originally earmarked for the construction of the new port to the renewal of existing port in Cap-Haitien (HRRW, 2014).

According to information on the USAID portal, the first phase of the construction of the power generation plant has been completed, but no further details are provided. The plant is owned by the State but is managed by a private company.³⁸ To date the plant has a capacity of 10 megawatts

37 CEPR (2012). <http://cepr.net/blogs/haiti-relief-and-reconstruction-watch/saes-risky-play-in-haiti> [Revised December 14, 2015]

38 USAID portal. <http://map.usaid.gov/PublicProjectDetail?id=a0cd0000011qQhA>

(the original commitment was 25 MW). In addition to the CIP, the plant provides electricity to 9,000 homes in nearby towns.

Another international cooperation project associated with the CIP is the construction of a landfill funded by the French Development Agency (FDA) in partnership with the IDB. This project also includes other waste management activities in the cities of Gonaïves and Cap-Haitien, worth slightly over USD 6 million. The FDA webpage does not provide updated information on the status of project implementation.³⁹

THE REAL CONTRIBUTION TO INCLUSIVE SUSTAINABLE DEVELOPMENT

At the time of presenting the CIP project, the US Ambassador to Haiti argued that such investments were *“the real key to the prosperity of Haitians, contributing to a more independent and sovereign Haiti”*⁴⁰ (IDB, 2011).

In the same vein, in all CIP-related projects, CIP’s contribution to sustainable development in the area, which would definitely end poverty and exclusion, is recurrently underscored. However the scarce contribution that the kind of *“industry”* that the CIP seeks to accommodate - mainly textile maquilas - makes to the economy and local development is widely known.

There is no doubt about the importance of the sector for the Haitian economy. According to the Center for Economics and Policy Research (CEPR), in 2014 90% of exports and 10% of GDP came from this sector. However, this weight in the national economy does not translate into job generation. In 2015 the whole sector had 40,000 workers (67% women),

AI&cid=Haiti [Revised December 14, 2015]

³⁹ AFD, 2015. <http://www.afd.fr/home/pays/amerique-latine-et-caraibes/alc/haiti/projets-haiti/amenagement-urbain-haiti/gestion-integree-dechets-gonaives> [Revised December 10, 2015]

⁴⁰ Embassy of Haiti. Communiqué, November 28, 2011. <http://haiti.usembassy.gov/foundation-stone-caracol-november-28-2011.html> [Revised December 14, 2015]

i.e. less than 1% of the active workforce (CEPR, 2015, Gender Action, 2013). Possibly a similar level of investments in other sectors could have better results in terms of job generation.

But more important than the low labor intensity of the sector are the widespread precarious working conditions, testified by numerous complaints of violation of labor rights, health and safety conditions, abuse, harassment, etc. as those contained in ILO reports in recent years (ILO et al, 2015). These conditions are far from those advocated by the international trade union movement in its appeal to the 2010 donor conference (TUCA et al. 2010). As stated by Jean Bonald Golinsky Fatal,), *“it is a sector in which workers are considered slaves”*.⁴¹

With regard to wages, most workers earn barely the minimum wage equivalent to USD 5 per day, payment that is clearly insufficient. In its projects even IDB sets the goal *“of achieving a payment equal to USD 5 per working day by 2019”* (IDB, 2015a). According to the research conducted by the Solidarity Center (AFL-CIO), in transport and lunch alone workers spend about half the daily wage. According to this study, in May 2014 workers needed to earn about 1,000 gourdes a day (about USD 22 at the exchange rate on that date⁴²) to cover their family’s most basic needs (AFL-CIO, 2014).

The argument for maintaining low wage levels is the *“competitiveness”* of Haitian textiles compared to other countries of the region. Indeed, in their announcements to attract investments, SONAPI describes this as a comparative advantage: Haiti’s textile industry, along with Nicaragua’s, has the lowest wages in the region, certainly very attractive to textile maquilas (SONAPI, 2015).

The CTSP denounces that health conditions are notoriously precarious. In many cases workers have no access to drinking water, and sanitation services do not meet the minimum requirements. Some companies even control the time using sanitary services. Often workers are unable to talk

⁴¹ Comments and contributions to the study by the CTSP. Received by email on February 19, 2016.

⁴² www.oanda.com

to each other because of the high levels of noise, and the temperature in plants tends to be suffocating.

Although precarious conditions extend indistinctly to most workers, some reports indicate specific needs for improvements in the case of women, who represent 67% of the staff in maquilas, for example, ensure health and safety conditions in bathrooms, sanitary facilities and medical services; child care and breastfeeding facilities; guarantee the right to maternity leave;⁴³ and improve the representation of women in decision-making in the CIP and the SONAPI (IDB, 2015b; Gender Action, 2013).

With regard to organizing workers, the sector is known for its habitual anti-union practices. In this regard, the CTSP warns that although the HOPE and HELP US laws establish that companies receiving subsidies must respect trade union rights, in general it is just a facade that seeks to improve the brand image and in reality trade union rights are constantly violated.⁴⁴

According to an ILO report, workers of the textile industry in Haiti are organized into 44 trade unions and are present in 18 of the 26 companies surveyed (ILO et al, 2015). There is now a space for social dialogue with the participation of employers and workers, with the Ministry of Labor as observer. They are currently discussing improvements in working conditions. The CSTP recognizes this space and emphasizes the need to strengthen it, particularly for the technical capacity of union organizations to be on an equal footing with the employer sector.

Specifically regarding S&H Global, according to data of Better Work Haiti, about 6,500 people work in the company. Of these, only 13% of pieceworkers meet or exceed the minimum wage at the end of their 8-hour

43 The CTSP claims that pregnant women are fired or, in the best cases suspended without pay, during their maternity “leave”.

44 The CSTP denounces the recent dismissal of workers who tried to form a trade union in the Val d’or Apparel textile company, arguing that they did not have the company’s authorization to do so.

work day, the rest earn less than the minimum wage⁴⁵ (ILO et al, 2015).

There are also irregularities in the payment of social security and maternity leave. Sexual harassment, persecution, poor settlement of layoffs, and humiliating treatment the workers have also reported. The latest report of Better Work highlights some improvements in terms of health and safety at work, but there are still shortcomings: lack of medical controls, temperature and sound levels well above the acceptable (above 30°C) and lack of ventilation. Only in 2014 were collective sanitary services (bathrooms and latrines) installed⁴⁶ (ILO et al, 2015).

Although S&H Global and the Confederation of Haitian Workers (CTH) have signed a collective agreement, apparently it was agreed without workers knowing about it, as denounced by the CSTP. The complicity of certain trade unions, or the creation of unions serving business interests ("*yellow unions*") are common practices that prevent the formation of independent trade unions.

The evaluation study of social and environmental impacts of the CIP,

45 Since May 2015 the minimum wage for workers in the textile industry is 240 gourdes per day (USD 4.19) and 320 gourdes per day (USD 5.59) for those paid for piecework (exchange rate www.oanda.com to December 16, 2015).

46 At the country level, only 38% of textile workers paid for piecework receive the minimum pay at the end of their 8-hour workday, the rest earn less than the minimum wage; and 19% of companies do not comply with the payment of the minimum wage. In addition, 81% of companies do not meet social security obligations, 50% do not pay overtime appropriately, and 31% have complaints filed against them for unjustified dismissals. In terms of health and safety, more than 80% do not have adequate sanitation facilities and no health or first aid services, 69% do not provide personal protection and 54% do not meet basic chemical safety standards (ILO et al, 2015). Given these scandalous figures, the CSTP questions the criteria used by Better Work Haiti to determine "conformity" or "non-conformity" with certain parameters. For example the CSTP claims that the percentage of workers that must receive more than the minimum wage for the company to qualify as "in conformity" declined from 90% to 50% plus one. In other words, if half plus one workers reach the minimum wage, the company is considered "in conformity", while previously 90% compliance was required. Therefore, some of the improvements indicated in the most recent BWH reports might not be real.

conducted in 2015 by IDB, warns that the Caracol Industrial Park could generate significant impacts. For example, the flow of people who might be attracted to potential employment opportunities without adequate housing quarters and services could end up generating unplanned settlements, social disintegration, pollution, public health problems, access to water, land, etc. So far this has not happened due to the small number of jobs created and the policy of firstly employing local workers. However, IDB expressed concern about the change in S&H Global policy of hiring local workers, which could lead to unexpected consequences (IDB, 2015b).

Among the social and environmental risks indicated by the IDB is the breach of labor regulations. IDB recognizes that there has been limited progress in the implementation of environmental and social mitigation measures so far. However, despite this official recognition, it continues to subsidize and fund the company through its projects (IDB, 2015b).

CONCLUSIONS

The historical analysis of aid flows, and more recently since the 2010 earthquake, shows that bilateral and multilateral international cooperation has failed miserably in the goal of promoting the development of Haiti. Quite the contrary, dependence has increased, the local economy and State capabilities have been weakened.

The low channeling of funds through public institutions is also characteristic of international cooperation with Haiti, often justified by flagrant cases of corruption and political instability.

Although information is often confusing, and in many cases contradictory, the use of funds to benefit large companies, particularly foreign firms, is remarkable and evident. Donor countries have also had to review their cooperation strategies with Haiti and recognize this kind of irregularities.

Despite this recognition and self-criticism, they continue to favor projects such as the construction of the CIP, which not only benefits private companies such as S&H Global that makes huge profits, but they do not promote local development and inclusive sustainable development much less so.

The “*success*” of these companies is based on tax exemptions, preferential treatment, violation of rights and labor exploitation of men and women. The complicity of cooperation agencies and multilateral agencies is contrary to all the requirements and criteria of international aid.

NOTES ON METHODOLOGY

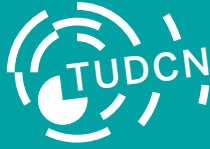
The case study on cooperation in Haiti was considered of interest due to the many complaints and questionings to how bulky cooperation funds allocated to the reconstruction and recovery of the country after the 2010 earthquake were distributed and managed, their low level of execution and poor results.

Furthermore, the TUCA and ITUC are working intensely through successive projects to strengthen the organizing of Haitian workers, and for national, international and multilateral efforts to take into account decent work as a key driver for real recovery ensuring the dignity and full exercise of rights.

We looked into the selected case thoroughly due to the involvement of bilateral and multilateral funds, and because with the excuse of generating jobs as engine of sustainable development, a type of investment is promoted that is contrary to these objectives and that is the reason of the struggles of the trade union movement, not only in Haiti, but in many other countries in the region and the world.

For this study we researched official websites of the governments and agencies involved, literature and newspaper articles, publications of social and union organizations, and research centers, mainly Haitian and American. In all cases we sought to crosscheck the information with several sources, and we discarded the accusations that we were not able to crosscheck.

Lastly, we received the valuable input of the CTSP that provided first-hand information on working conditions in the country, particularly in the case of textile maquilas and the S&H Global company.



Colombia

DONOR COUNTRY

Spain

- Spanish International Cooperation Agency for Development (AECID)
- <http://www.aecid.es>

PROGRAM

Water and Sanitation Cooperation Fund (FCAS)

<http://www.fondodelagua.aecid.es/es/fcas>

BENEFICIARY

Colombia

Municipality of Cartagena de Indias.

PROJECTS

- 1) Water and sewerage in the Barrio Nelson Mandela district, Cartagena de Indias (COL-015-B)
- 2) Construction of plumbing installations in homes in the southeast area of Cartagena de Indias (COL-017-B)
- 3) Expansion of the El Bosque water treatment plant and water supply to the districts of the south western area of Cartagena de Indias (COL-036-B)

Location Cartagena de Indias

Total donation of Spain USD 16 million¹

<http://www.fondodelagua.aecid.es/es/fcas/donde-trabaja/paises/colombia.html>

¹ It corresponds approximately to the sum of the amount of the three projects. Exchange rate of Oanda Currency Converter - <http://www.oanda.com/lang/es/currency/converter/>

ACTORS INVOLVED

AECID

- Municipality of Cartagena de Indias.
- Aguas de Cartagena (Acuacar)
- Aguas de Barcelona (Agbar) / Suez

SUMMARY

The joint venture Aguas de Cartagena (Acuacar) is involved in all three cases and provides the service as of its privatization in 1995, with Aguas de Barcelona owning 46% of its shares. Acuacar is the executing agency in two projects, and the contractor in the third one.

According to complaints filed by various non-governmental organizations in Spain and Colombia, by granting 20% of the funds allocated to Colombia to finance the works of Acuacar the intention has been to benefit the company, generating profit beyond what is reasonable for that company, which has also increased its prices disproportionately.

The recent extension of the contract for another 13 years, illegally granted by the municipality and with 6 years to go before expiration of the initial contract, is strongly questioned by various social sectors, including the trade union of Acuacar, which has denounced breaches of the concession contract and precarious working conditions



COLOMBIA

Water and sanitation in Cartagena. The conflict between cooperation and maximization of private profit

INTRODUCTION

One of the main programs of the Spanish Cooperation for Latin America is the Water and Sanitation Cooperation Fund (FCAS)⁴⁷ created by Law 51/2007.⁴⁸ Its aim is to extend the supply of water and sanitation in rural and peri-urban areas in a region where, in 2015, some 35 million people still did not have access to safe water, and 120 million had no sanitation facilities.⁴⁹

Estimates indicate that the various FCAS-funded projects will provide access to improved water sources and sanitation to three million people. Some 600,000 people will receive training in health and hygiene, and 10,000 workers of the water and sanitation services will receive training. In addition, the integration of women into 800 “*Water Committees*” will be facilitated (Government of Spain, 2015).

Seven years after the FCAS was launched, a total of USD 1,435 million

47 <http://www.fondodelagua.aecid.es/es/fcasthis>

48 Sixty-first additional provision. Available at http://noticias.juridicas.com/base_datos/Fiscal/l51-2007.t8.html#daSEXAGESIMAPRIMERA

49 Water coverage reaches 97.3% in urban areas and 83.3% in rural areas; while sanitation facilities cover 85.9% of the urban population and 61.9% in rural areas. World Bank database (2015). <http://data.worldbank.org/indicator/SH.STA.ACSN.UR/countries/1W-XJ?display=graph> [Revised: November 18, 2015]

have been disbursed, of which nearly USD 890 million⁵⁰ are donations from Spain and the rest to contributions of the countries receiving aid and the Inter-American Development Bank (IDB).⁵¹

A total of 19 Latin American and Caribbean countries have received or are receiving FCAS aid. In heavily-indebted countries (Haiti, Bolivia, Honduras and Nicaragua), the contribution is up to 100% of the budget; for other countries the aid reaches 80% (Colombia, Guatemala, Ecuador, El Salvador, Paraguay, Peru and the Dominican Republic); and in countries considered middle-income (Argentina, Brazil, Chile, Costa Rica, Cuba, Mexico, Panama and Uruguay), the contribution reaches 50% of the project value.

The portfolio of 66 projects⁵² of the FCAS has two modalities: the bilateral modality, directly managed by AECID and concentrating USD 442 million in 47 projects; and the multilateral modality, managed with IDB participation, with USD 446 million and 19 interventions.⁵³ To December 2014 about 48% of the budget had been executed (Government of Spain, 2015).

As this fund is not 'tied' to any company of any country, it may present a tender as per the rules of the recipient country of the fund or IDB rules in the case of processes with IDB intervention. However, various organizations⁵⁴ complain that often the main contracts for the execution of

50 Equivalent to 1,276 and 790 million euros respectively, at the OANDA exchange rate to September 30, 2015.

51 Data published by the AECID on June 8, 2015. Available at: http://www.fondodelagua.aecid.es/es/fcas/noticias/noticias/2015_06_08_Evento_Agua_y_Saneamiento_Casa_de_America [Revised September 30, 2015]

52 Project portfolio of the Water and Sanitation Cooperation Fund - FCAS http://www.fondodelagua.aecid.es/galerias/fcas/descargas/documentos/CARTERA_GLOBAL_FCAS.pdf [Revised September 30, 2015]

53 The stated amounts correspond to funds from the Spanish Cooperation, the contributions from recipient countries and IDB must be added to reach the total amount of the projects. Oanda exchange rate, September 30, 2015.

54 EWB (<http://euskadi.isf.es/haiti/noticias.php>) and the Coordinator of NGOs for Development of Spain (CONGDE) are among the organizations that have denounced these situations.

works are awarded to Spanish companies.⁵⁵ They also denounce that, although “*supporting an integrated and participatory public management of water resources*”⁵⁶ is one of the objectives of the FCAS, sometimes project management is awarded to Public Private Partnerships (PPPs) in which companies with Spanish capital participate.

The FCAS in Cartagena de Indias

The city of Cartagena de Indias (or simply Cartagena) is one of the main tourist destinations in Colombia. Located on the Caribbean Sea, the city has around one million inhabitants and presents sharp contrasts between areas and services for national and international tourism, and a poverty rate of about 27%.⁵⁷

In 1995, year in which the service was privatized, coverage of water supply and sanitation reached 75% of homes. Unlike what happened in other countries of the region, water privatization in Colombia does not seem to have aroused much controversy and to date the country has more than 125 private water companies and 48 joint ventures, including large, medium and small companies. Participation of private companies in water supply began precisely in Cartagena in 1995, with support of the World Bank (Government of Spain, 2011).

In recent years, the service has been extended to virtually the entire population. This extension was made possible largely thanks to the funds provided by AECID through its FCAS program, which by 2015 had disbursed around USD 16 million, equivalent to 20% of the funds committed

55 According to an investigative report, 30% of contracts were awarded to Spanish companies. (El Confidencial, 2015)

56 <http://www.fondodelagua.aecid.es/es/fcas/que-es-el-fondo/desafios-objetivos/>

57 DANE (National Statistics Agency). Integrated Household Survey (2013-2014). Calculations Poverty Group <http://www.dane.gov.co/index.php/esp/estadisticas-sociales/pobreza/160-uncategorised/6020-pobreza-monetaria-y-multidimensional-2014> [Revised November 18, 2015]

by the FCAS in Colombia.⁵⁸

Altogether there are three AECID-funded projects. In two cases, the entity responsible for project execution is the company to which the privatization of the service was awarded in 1995, i.e. the Public Private Partnership (PPP) Aguas de Cartagena (Acuacar), of which almost 46% of shares are owned by the company Aguas de Barcelona (Agbar),⁵⁹ based in Spain.⁶⁰ In the third case, Acuacar is the contractor.⁶¹

The AECID-financed projects in Cartagena de Indias are:

- **Connection to the sewer system in the district Barrio Nelson Mandela⁶²**

The Barrio Nelson Mandela district is an area of extreme poverty with 40,000 inhabitants, many of whom have been displaced by the internal conflicts. When the project was undertaken only 15% of households had

58 <http://www.fondodelagua.aecid.es/es/fcas/donde-trabaja/paises/colombia.html>

59 The District of Cartagena de Indias participates in the share structure of Acuacar with 50%; the Aguas de Barcelona (Agbar Group) is the Operating Partner with 45.9%; and other private shareholders hold the remaining 4.1%. Information available at <http://www.acuacar.com/Acuacar/Laempresa/Historia.aspx>

60 Although AgBar is based in Spain, in 2010 it was transferred to Hisusa Holding de Infraestructuras y Servicios Urbanos S.A., of whose capital the French Suez company holds 76% and La Caixa 24% (<http://www.agbar.es/es/quienes-somos/historia>). Suez currently owns 100% of shares (<http://www.agbar.es/es/quienes-somos/estructura-accionarial>). While, La Caixa owns 4.1 to 7% of Suez (<http://www.lavanguardia.com/economia/20140718/54412006051/la-caixa-sale-agbar-convertirse-accionista-suez.html>)

61 Note that this scheme might be repeated in other FCAS projects in Colombia, such as Santa Marta (COL-019-B), where the executing agency is the private company Metroagua, which according to reports is linked to the public company Canal Isabel II, Madrid, which through various companies would own 85% of Metroagua shares. (Documentation provided by EWB Catalonia)

62 COL-015-B: <http://www.fondodelagua.aecid.es/es/fcas/donde-trabaja/proyectos/COL-015-B.html>

water and sanitation. The project's goal was to expand coverage to 90%.

The project, approved in 2009 and for which the FCAS contributed almost USD 3.6 million,⁶³ reached most of the homes in that district. However, according to investigative journalism, since then the cost of the service tripled and so many families do not use it. According to this investigation, the company only obtained 2.5% of the total budget for “*administrative expenses*” in its capacity as executing agency of the project, as stipulated in FCAS regulations. Always according to said investigation, the real profit for the company stems from the charges to the new homes connected to the service (El Confidencial, 2015).

As the beneficiaries are mostly from the poorest strata of the population, a 47% subsidy is applied to their invoice. Even so, the amounts payable by users reach values of around USD 40 per month (El Confidencial, 2015), approximately 20% of the minimum wage.⁶⁴ In a city where informality reaches almost 60% (Jiménez M., 2012), most locals of the district are informal workers who earn less than the minimum wage.

However, this problem does not only affect the Barrio Nelson Mandela. According to an investigation of the social organization CEDETRABAJO, every month disproportional rate increases cause Acucar to suspend the service by Acucar to nearly 19,000 inhabitants of Cartagena de Indias due to nonpayment (Jiménez M., 2015).

- **Construction of plumbing installations in homes in the southeast area of Cartagena de Indias⁶⁵.**

The execution of this project is the responsibility of the public entity Corvivienda. Initially the work was awarded to the Spanish consortium

63 General Operational Plan of the Project "Sewerage lacking in the Barrio Nelson Mandela" Cartagena de Indias. May 2011. <http://www.fondodelagua.aecid.es/galerias/fcas/descargas/proyectos/pog/POG-COL-015-B.pdf>.

64 The wage is around USD 210 (Ministry of Labor, 2015. www.mintrabajo.gov.co)

65 COL-017-B. http://www.fondodelagua.aecid.es/galerias/fcas/descargas/proyectos/informe-situacion-junio-2013/COL-017-B_FVISIB_DIFUSION.pdf

Unión Temporal Capitol Emprender Cartagena, but in view of various difficulties (deserted bidding, technical problems and delays of the contractor), the contract was finally awarded to the company Acucar.

As stated in the documentation available on the FCAS website, updated to December 2014,⁶⁶ over 13.000 inhabitants would be the beneficiaries of the project, including the construction of improvements in 1930 homes. The total amount committed by AECID is approximately USD 2.2 million.⁶⁷

Signed in 2009, project execution began in early 2012 and its completion is scheduled for mid-2016. According to Corvivienda, in late 2014 the facilities of more than 900 homes had been completed and a total of 1026 homes are to be reached in 2015.⁶⁸

- **Expansion of El Bosque water treatment plant and water supply to the districts of the south western area of Cartagena de Indias⁶⁹**

This is the most recent project and involves the largest volume of cooperation funds. Its objectives are to increase the capacity of drinking water supply systems; install pipes to supply the Villa Hermosa district, an area of extreme poverty; and build bathrooms and other household facilities to utilization of the new service. In addition to increasing the continuity of the supply to several districts, the project is expected to benefit at least 10,500 people who, at the time of signing the agreement, did not have access to safe water.

66 http://www.fondodelagua.aecid.es/galerias/fcas/descargas/proyectos/informe-situacion-junio-2013/COL-017-B_FVISIB_DIFUSION.pdf

67 Annual Operating Plan 2014 Project COL-017-B “Construction of hydraulic –sanitary facilities in houses of the southeastern area of Cartagena”. Phase I http://www.fondodelagua.aecid.es/galerias/fcas/descargas/proyectos/pog/POA_2014_PROYECTO_COL-017-B.pdf

68 Municipality of Cartagena de Indias. Corvivienda 2015 Action Plan. <http://www.cartagena.gov.co/Cartagena/cache/Archivos/Archivos2015/PLANES%20DE%20ACCION/PLAN%20DE%20ACCION%20CORVIVIENDA%202015.pdf>

69 COL-036-B. <http://www.fondodelagua.aecid.es/es/fcas/donde-trabaja/proyectos/COL-036-B.html>

The project requires investments of nearly USD 19 million, of which the FCAS already disbursed more than USD 10 million in 2014,⁷⁰ and the rest will be contributed by the municipality of Cartagena de Indias, with the Spanish contribution accounting for nearly 55% of the total budget of the works.

The Coordinator of NGOs for Development of Spain (CONGDE) seriously criticized the project because they believe that the purpose of the cooperation is to benefit the Acuacar company.

In a press release, CONGDE claims that *“The assignment of this project by FCAS is merely a subsidy to Aguas de Barcelona. The Spanish company gets public cooperation funding for investments pledged to Acuacar, and increases its operating results by financing its greater production and number of users.”*⁷¹

ACUACAR, DENUNCIATIONS OF DIFFERENTIAL TREATMENT

The contract with the Acuacar company was signed in 1994 after the privatization of the public district enterprises. The initial contract term was 25 years, but in late October 2014, more than 5 years before the expiration date, the Municipality decided to extend the concession contract for another 13 years, to 38 years.

Opposition parties, trade union and social organizations have denounced the illegality and clandestineness of this act. In fact, according to the minutes of an Acuacar shareholders’ meeting, the extension of the contract was approved on October 20, 2014, but the information was only released to the public in March 2015 (Jiménez M., 2015; La Marea, 2015). According to members of the District Council, City Council members at least should have been consulted in this regard (Taborda, 2015).

It is also alleged that the new contract perpetuates conditions favoring the company over the interests of the district. Critics point out that the

⁷⁰ <http://iatiregistry.org/dataset/maec-co>

⁷¹ Documents provided by EWB Catalonia.

earnings of the company for the operation of water and sanitation services doubled between 2007 and 2013 (Jiménez Osorio et al, 2015), while coverage increased from 75% to 90% (Jiménez, M., 2015). According to a study cited by Jiménez Osorio (2015), the company's rate of return is about 54%, but the reasonable rate for a private company should not be higher than 10%.

Social organizations also question and are apprehensive about the fact that, a few months after the extension was signed, the Mayor of the city accepted an invitation of the Spanish Government to present the successful experience of cooperation in water and sanitation (Taborda, 2015).

The Acucar trade union is one of the organizations that opposed the extension of the contract. In their public statements they have denounced various breaches of the initial contract, as there was no transfer of technology and much of the work has been outsourced (El Heraldo, 2015).

On this last point, some months ago, under the auspices of the Ministry of Labor, an agreement was signed with the company to formalize the transfer of about 100 outsourced workers to the plant. As stated in the Ministry's web portal: *"With today's signing, the company has advanced in the labor scenario (...) because in a short time it will comply with labor standards through this agreement"* (Government of Colombia, 2015).⁷²

The transfer of outsourced workers to the plant has been a recurring demand of the Acucar trade union, therefore the signing of the agreement is an important milestone in their struggle for better working conditions. However, with his words the Minister of Labor has recognized that the company violated labor law during nearly 20 years of service provision in the city.

As for the bidding process, FCAS regulations establish that *"recipient entities in partner countries shall execute the projects and receive tenders preferably according to national procedures, safeguarding the principles of transparency, equality, legality and free competition"* (Government of Spain, 2015).

⁷² Words in bold by the author.

In this regard, citing an AECID source, the investigation of El Confidencial (2015) indicates that, in response to complaints by the Spanish companies, adjustments were made to the bidding requirements, such as extending the time for submission of proposals.

Although we have not been able to verify the above (as they are protected sources), El Confidencial states that the intention behind the changes in the formal requirements of the bidding process was to create better bidding conditions for Spanish companies, which finally did not materialize allegedly due to the Colombian refusal to ease the process (El Confidencial, 2015).

CONCLUSIONS

The city of Cartagena is one of the most unequal and impoverished areas of Colombia. Ensuring the right to safe water and sanitation for 50,000 people who did not enjoy this service is definitely a top necessity which the Spanish cooperation has prioritized. This cooperation has been essential to the expansion of Aguas de Cartagena.

Although we cannot state that there were irregularities or illegalities in the process of design, approval or award of the projects, the denunciation that the interests of Aguas de Barcelona influenced the decision to grant 20% of FCAS funds in Colombia to Cartagena de Indias is credible, moreover taking into account it is a Spain-based company.

Along the same lines, it is highly possible that pressure was exerted to influence the decision to extend the contract for another 13 years six years before its expiration.

It is very questionable that the funds of development cooperation are financing the expansion of a private company that shows benefits far higher than reasonable and which is also questioned by different social organizations for its poor service, disproportionate rates and precarious working conditions.

NOTES ON METHODOLOGY

For this case we reviewed official information of the Spanish Government available on the Internet: AECID, FCAS portal, Official Gazette and Annual International Cooperation Plan.⁷³ The first project evaluation was completed recently, but to date the results have not been made available to the public. We also analyzed official information available on the Acucar portal.

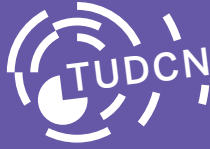
In addition, we conducted a search in news portals and webpages of Spanish NGOs and of other countries linked to development issues, cooperation, human rights, etc., to identify complaints or situations that might indicate the project is aligned with private interests.

Lastly, NGO representatives of Spain and Colombia were consulted via telephone and email. Our field visit was eventually postponed to February 2016.

Although most sources and reports use the Euro as currency, all values have been converted to US dollars (USD) for consistency with the other cases and documents analyzed. For conversion we used the Oanda rates of exchange on the date indicated in each case.⁷⁴

⁷³ <http://www.exteriores.gob.es/Portal/es/SalaDePrensa/Multimedia/Publicaciones/Paginas/Cooperacion/Seguimiento.aspx>

⁷⁴ <http://www.oanda.com/lang/es/currency/converter/>



El Salvador

DONOR COUNTRY

USA

United States Agency for International Development (USAID)
<https://www.usaid.gov/>

USAID PROGRAM

Partnership for Growth

BENEFICIARY / LOCATION

El Salvador

PROJECTS

“A Hand to Grow” (Walmart) • El Salvador, 2011
(There is no information on funds)

Executing Agency Walmart, Walmart Foundation

“Business Development of Micro and Small Enterprises” (USAID),
El Salvador, 2011

Total donation of USA USD 3 million

Executing Agency Chemonics International

ACTORS INVOLVED

- **USAID**
- **Walmart**
- **Others: Chemonics International, CONAMyPE**

RESUMEN

El Salvador is one of the largest recipients of US cooperation. USAID has disbursed more than USD 4,500 million since 1962 and has played an important role in the process of economic reform and privatization of the 90s.

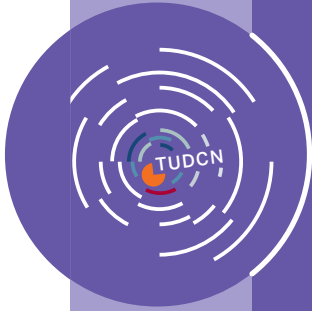
In 2011, both countries signed the “Partnership for Growth” program. A portion of that program’s ODA funds is allocated to the project “Business Development of Micro and Small Enterprises”, of which the collaboration agreement with the “A Hand to Grow” project of Walmart/Walmart Foundation is part.

The aim of the project is to help a number of micro and small enterprises to adapt production to the needs of Walmart and in this way become part of its supply chain.

Beyond journalistic reports and publicity, the collaboration between Walmart and USAID has many grey areas and is difficult to follow. It is barely mentioned in USAID and the company’s reports, and there is no detailed information on projects, funds or beneficiaries. Interestingly, there is almost no information from organizations monitoring these issues, even organizations with several complaints filed against Walmart are unaware of these collaborative projects with USAID.

Publicly available information is unclear on how much money each contributes to the project or which have been the activities or results. It is clear that Walmart is one of the companies with most complaints filed against it and social resistance against its dishonest practices, pressure and exploitation throughout the supply chain and labor rights violations. It is also clear that it receives huge tax benefits and indirect subsidies, in addition to tax evasion and placement of assets in tax havens.

These facts alone are serious enough to question any association with public cooperation funds.



EL SALVADOR

Promoting the adjustment of MSEs to the requirements of large transnational corporations

INTRODUCTION

As indicated in the 2015 budget for development aid submitted to the US Congress *“US cooperation is not just about helping countries in need, but about defending the interests and values of the United States of America abroad”* among them ensuring a *“stable environment for the smooth functioning of the free market”* (US Government, 2014).

This statement is consistent with the guidelines adopted by US cooperation over the last 15 years, increasingly prioritizing the interests and growing participation of the private sector in the design and implementation of cooperation projects. As of 2001, year in which the Global Developing Alliance (GDA) was launched to promote and facilitate the participation of the private sector, USAID has executed public funds worth about USD 20 billion through more than 1,500 partnerships with over 3,500 companies (Nieto et al. 2012; Walmart 2015).

The formal relationship between USAID and Walmart is one of such partnerships. As stated by officials of the USAID office for Latin America and the Caribbean, *“Public Private Partnerships like this one [USAID-Walmart] are crucial to reach the goals of food security and job creation in the long term. Thanks to these partnerships, USAID leverages resources; private partners achieve their business goals; and the poor improve their quality of life”* (US Government, 2011).

The *“A Hand to Grow”* program in El Salvador is an example of USAID-

Walmart cooperation, but it is not the only program, nor is El Salvador the only country where USAID and US multinationals materialize such partnerships. There are many other initiatives, such as those relating to the US Government “*Feed the Future*” (FTF) program, for the implementation of which in Latin America USAID has partnered with Walmart⁷⁵ and also with Coca-Cola (US Government, 2012b).

US COOPERATION FOR THE DEVELOPMENT OF THE SALVADORAN MICRO AND SMALL ENTERPRISES

The history of US cooperation with El Salvador is long-standing. Between 1962 and 2013, the United States provided over USD 4,800 million to El Salvador as official development assistance through USAID or its predecessors. USAID has also played a key role in the processes of economic reform in the 80s and 90s: trade liberalization, elimination of controls over interest rates, introduction of value added taxes, privatization of banks and reconversion of export processing zones.⁷⁶

The joint “*Partnership for Growth*” program was launched in 2011 to promote “*sustainable and inclusive*” growth in El Salvador. As part of that program, between 2011 and 2014 US bilateral cooperation allocated a total of

⁷⁵ In October 2010, the Walmart Foundation launched the Global Initiative Sustainable Agriculture Goals. In 2008 the US government launched its “Feed the Future” initiative, which mobilizes about USD 3.5 billion of 11 government agencies. The initiative is coordinated with national governments, development organizations and “allies” of the private sector in 19 countries.

In 2011, Walmart and USAID signed an agreement to link the two programs in three countries of the region: Guatemala, Haiti and Honduras. The agreement gives continuity to a series of previous collaborations between Walmart and USAID in Central America. According to the FTF website, this is a “Public-Private Partnership” to generate market opportunities for smallholder farmers in Central America, connecting them to the company’s regional and international supply chain. This would increase farmers’ income and indirectly benefit Walmart consumers that would have better access to local products (US Government, 2011, 2012a and 2012b; Walmart, 2015).

⁷⁶ USAID portal. <https://www.usaid.gov/el-salvador/history> [Reviewed December 3, 2015]

USD 171.8 million to this country. Most of these funds have been assigned to Education (22.7%), Democracy & Governance (22.4%), and Economic Development (22.1%). The rest is distributed into program management expenses (18%), Health (7.9%), Humanitarian aid (5.4%) and the Environment (2.5%)

Of the USD 37.6 million allocated to Economic Development Programs, most (77%) was allocated to strengthening the private sector, with emphasis on SME capacity building and training of workers; virtually all of the remaining 23% was assigned to strengthening the financial sector and other macroeconomic aspects⁷⁷.

The main project for the “*Business Development of Micro and Small Enterprises*” in El Salvador has a budget of USD 3 million and spans from 2011 to 2016. It is managed by Chemonics International,⁷⁸ one of the largest recipients of USAID cooperation funds. Several initiatives to strengthen micro and small businesses (10 to 50 employees), accounting for 98% of Salvadoran firms, are developed in the framework of this project.⁷⁹

WALMART, SALES AND EMPLOYMENT (AND TAX EVASION) GIANT

In 2011, Walmart sales reached USD 419,000 million and had 8,900 stores under 60 brands in 15 countries and employed two million workers. In recent years the company underwent a major expansion, especially at the international level. By 2014 sales had climbed to USD 485,700 million, with 11,489 stores under 60 different brands in 27 countries, employing a total of 2.2 million workers (Walmart, 2012 and 2015).

⁷⁷ USAID portal. “*Results of cooperation*” 2011-2014 - <https://results.usaid.gov/el-salvador#fy2014> [Reviewed December 3, 2015]

⁷⁸ Chemonics is located in the Washington DC area and is responsible for the implementation of numerous projects worldwide. Several former senior officials of countries receiving USAID funds now work for Chemonics International. More information at www.chemonics.com [Reviewed December 4, 2015]

⁷⁹ <http://chemonics.com/OurWork/OurProjects/Pages/El%20Salvador%20Trade%20Development%20for%20Small%20and%20Medium%20Enterprises.aspx> [Reviewed December 4, 2015]

According to the Forbes ranking, the company currently ranks first in sales in the world and number 18 in volume of revenues, with USD 16,400 million in 2014. According to these figures, in the last 10 years, sales rose 55.6% and earnings 49% (Forbes, 2015). Approximately one third of reported profits in recent years originate in Walmart's international sector (ATF, 2015).

According to a study presented by the US organization "Americans for Tax Fairness" (ATF) in June 2015, subsidies and tax exemptions received by Walmart and the Walton family (owner of the company) in USA through different mechanisms exceed USD 7,800 million annually. In addition, at least 25 of the 27 Walmart companies operating abroad are owned by subsidiaries located in "tax havens". For example, 89 Walmart stores in El Salvador⁸⁰ are owned by the TFB Corporation NV, registered in Curaçao (ATF, 2015).

Thus, 90% of the assets of Walmart's International Division (USD 76 billion, equivalent to 37% of the company's global assets) are currently placed in a complex and undeclared⁸¹ network of 78 "ghost" companies registered in 15 tax havens, where the company has no stores. This scheme would have been essential to the expansion of the company abroad, allowing it to minimize the tax burden in countries where the company does have stores and workers and, at the same time, avoid taxes in US for earnings abroad (ATF, 2015).

CORPORATE INTERESTS VS. LOCAL DEVELOPMENT AND LABOR RIGHTS

According to statements by the President of the company in Latin America: "Our commitment to the "live better" part of our mission means that we

80 690 Walmart stores in Central America are in Costa Rica (217), El Salvador (89), Guatemala (217), Honduras (81) and Nicaragua (86) (ATF, 2015).

81 This scheme would have remained hidden from tax evasion specialists because of the way that Walmart has made asset declarations to the Securities and Exchange Commission (SEC). Walmart would be breaking the law by failing to comply with the rule of declaring subsidiaries representing more than 10% of their assets or income (ATF, 2015).

use the size and scale of the company to make a difference in important social issues such as food security and agricultural development” (US Government).

To accomplish this “mission”, the company states that through the Walmart Foundation, it allocated nearly USD 34 million in 2014 to projects in some of the developing countries where it operates under the title of Corporate Social Responsibility⁸² (Walmart, 2015). This is equivalent to 0.007% of revenues or 0.2% of profits reported for that year,⁸³ or just 0.4% of the tax benefits that the company receives each year, not counting what it would be evading through various dishonest maneuvers.⁸⁴ Therefore, investment in CSR is quite insignificant in comparison with the values reached by the company.

According to its 2014 Corporate Social Responsibility report, the company does not have preferential policies for local suppliers in Central America, but it does have two programs to support local SMEs: “*A Hand to Grow*” (manufacturing) and “*Fertile Ground*” (agribusiness), which according to unverified data of the company, in 2014 benefited 309 manufacturing suppliers and 1,400 small farmers respectively (Walmart, 2014).

In the same report the company does not provide data referring to respect for human and labor rights throughout their supply chains in Central America, and states that no complaints have been filed against its suppliers or the company itself between 2013 and 2014⁸⁵ (Walmart, 2014).

This contrasts overtly with the numerous complaints that workers’ organizations and other Salvadoran and regional organizations have filed against Walmart and its suppliers.⁸⁶ For example, in 2014 UNI global union federation publicly denounced the murder of a trade union rep-

82 Within the US, CSR funds for 2014 were around USD 320 million (Walmart, 2015).

83 USD 16,400 million in profit and sales worth USD 485,700 million (Forbes, 2015).

84 According ATF (2015), USD 7,800 per year of various tax benefits.

85 If data on claims for violation of labor rights in Mexico during 2014 are provided.

86 Telephone interview with Roberto Zaldaña, technical advisor to the Consortium of Salvadoran women workers in maquilas, on December 3, 2015.

representative of a Salvadoran supplier to Walmart. According to UNI, the trade union had already reported labor persecution and death threats. The murder was presented in the media and the justice system as a simple crime, not a felony.⁸⁷

There are also reports of possible cases of corruption, for example of illegally obtaining construction permits in municipalities of El Salvador,⁸⁸ and the negative effect on the local economy by devastating small businesses and local shops.⁸⁹

This situation is not unique to El Salvador, complaints regarding Walmart practices appear repeatedly in all countries where it has its stores. These complaints cover a wide spectrum, such as outsourcing, slave labor, low wages or impeding the unionization of workers.⁹⁰ According to the US labor organization AFL-CIO, the company's way of doing business defines the "*Walmart model*", which constantly seeks to lower the prices paid to local suppliers and to reduce production times so as to not have to ensure decent and safe jobs, especially in the lower stages of the supply chain (AFL-CIO, 2013).

Some organizations also point to the influence of political power, cor-

87 UNI, January 2014. www.uniglobalunion.org/es/news/sindicalista-de-ld-proveedorora-de-textiles-para-walmart-asesinado-en-el-salvador [Reviewed November 29, 2015]

88 "Mexicans, the first 7 months of disastrous management". September 2014. <http://ceal-dlca.org/?p=1904&lang=es>; "*Walmart tricks, bribes and destroys the environment.*" June 2013. <http://ceal-dlca.org/?p=1682&lang=es> [Reviewed December 3, 2015]

89 Barrison, Steven. "*Study Proves It: Walmart Super-stores Kill Off Local Small Businesses*" New York Daily News. May 4, 2011. <http://www.nydailynews.com/new-york/brooklyn/study-proves-walmart-super-stores-kill-local-smallbusinesses-article-1.140129> [Reviewed December 4, 2015]

90 See the many complaints and campaigns on the websites of various union and nonunion organizations such as AFL-CIO (www.aflcio.org), CEAL (www.ceal-dlca.org), Corporate Watch (www.corporatewatch.org), Ethical Consumer (www.ethical-consumer.org), OMAL www.omal.org), Our Walmart www.forrespect.org), SEIU www.seiu.org), UNI Global Unions www.uniglobalunions.org), among many others.

ruption and traffic of influences.⁹¹ All these accusations place the company among the worst in the world for the violation of human or labor rights: it is third in the ranking of Public Eye Awards,⁹² and fourth in the rating of the Business & Human Rights Resource Centre (Kamminga, 2015).

Beyond the company's philanthropic statements, it is clear that its mission is to generate the highest profit for its shareholders. There are already cases where Walmart decided to suspend cooperation programs because it was not reaching the expected return. For example, the IMARE II Project in Guatemala, developed jointly with USAID under the Feed the Future program, was canceled because costs could not be reduced due to the distance from production centers and because the products did not generate sufficient commercial interest (Walmart, 2015). Clearly company interests prevailed (to obtain low cost and easily to place products) above the needs and interests of the communities participating in the project.

THE “A HAND TO GROW” PROGRAM IN EL SALVADOR

The “*A Hand to Grow*” program is a Walmart project in Central America to “*build the capabilities*” of small and medium enterprises (SMEs) to help them adapt their production to the requirements and standards of the company, and thus become part of its supply chain.

In El Salvador, the program includes 25 local SMEs of the food sector (58%), manufacturing of personal care and household products (28%), and textiles (14%), which supply stores owned by Walmart, Maxi Despensa, Despensa Familiar and Despensa de Don Juan (Suma, 2013). It also has the support of the National Commission for Micro and Small Enterprises (CONAMyPE), which facilitates and promotes contact between SMEs and the company.⁹³

⁹¹ For example, the regular payment of “tips” to Mexican officials (AFL-CIO, 2013); hefty donations to election campaigns of candidates to the presidency and governorships, or the financing of campaigns to prevent reforms in the occupational health regulations of the United States of America (<https://corporatetwatch.org/company-profiles/asda-wal-mart-influence-lobbying>)

⁹² <http://publiceye.ch/case/Walmart/>

⁹³ Entrepreneurs of micro and small businesses look for a new market through

The project began in 2012 and had three stages. The first contemplated the identification of areas where their SME suppliers should make improvements to increase their production capacity and their competitiveness in the company's supply chain. The main requirements were to improve their distribution and storage logistics, increase the "efficiency of work teams", improve the packaging and labeling of their products, and incorporate technology into their administration.

The second phase of the program began in 2013 and was to advise each of the 25 SMEs participating in the project to identify their own weaknesses and design an improvement plan that help them become more competitive in the Walmart supply chain. In this phase, SMEs collaborated with matching funds reaching 30% of the total cost of the development of the plan (Suma, 2013).

Among the requirements to participate in the initiative were compliance with formal aspects such as to be manufacturers, to have less than 100 employees, to have sanitary certification (if applicable to their product), to comply with labeling rules, to have a barcode and provide good quality products at a "competitive prices". No reference is made to labor standards or any other aspects relating to social or environmental performance.⁹⁴

In 2013, the third stage of the project created a consortium of services offering technical assistance to SMEs so as to meet all Walmart requirements and standards, particularly in logistics, labeling, packaging; and improve SME financial structures and business strategies. Once again the assistance does not include the improvement of working conditions.

Walmart. <http://www.conamype.gob.sv/index.php/novedades/noticias/757-empresarios-de-la-pequena-y-mediana-empresa-buscan-un-nuevo-mercado-a-traves-de-walmart>

94 <http://www.conamype.gob.sv/index.php/novedades/noticias/757-empresarios-de-la-pequena-y-mediana-empresa-buscan-un-nuevo-mercado-a-traves-de-walmart> [Reviewed December 3, 2015]

USAID-WALMART AGREEMENT, A DIFFICULT TRACK TO FOLLOW

As announced in the US Government and USAID official websites and in several news articles, the “*A Hand to Grow*” program receives USAID support. This collaboration occurs in the framework of the aforementioned joint US-El Salvador “*Partnership for Growth*”, as part of its projects to strengthen micro and small enterprises. According to information published in the Suma Magazine, USAID collaboration has led to hiring a specialist to assess the obstacles to growth and higher sales of SME suppliers to Walmart (Suma, 2013).

According to information provided by the US government in the semi-annual reports of the “*Partnership for Growth*” program, in 2012 discussions were undertaken with Walmart to implement an initiative by which USAID would assist 100 micro and small enterprises to build their capacity to supply Walmart stores (US Government, 2012c).

Indeed, in its next report (November 2012), the US Government claims to have provided technical assistance to 20 Salvadoran MSEs so that they could meet Walmart standards (US Government, 2012d). Regrettably, USAID’s financial and execution reports in those years were not available on the website at the time of this research, so it we do not know exactly how much of the program resources were allocated to this activity.⁹⁵

The collaboration between Walmart and USAID is under “*Goal 6: Surmount Low Productivity in Tradables*”. A series of actions to strengthen Salvadoran MSEs are described under this heading. Interestingly, although the relationship between Walmart and USAID is still publicized on various official and company websites, as of 2013 once again the program’s semiannual reports do not mention the partnership with Walmart. In the CONAMyPE website (National Commission for Micro and Small Enterprises, created in 1996), the Walmart project and CONAMyPE collaboration is mentioned, but there is no mention of USAID participation.⁹⁶

⁹⁵ Links provided on the official USAID website are not active. <https://www.usaid.gov/results-and-data/performance-reporting> [Last reviewed December 7, 2015]

⁹⁶ [Reviewed December 4, 2015]

Moreover, public information available on the Walmart and Walmart Foundation websites is scarce, and often times confusing and contradictory, nor does it refer to projects, funds assigned or any other specific information. Although good relations with USAID are often mentioned in publicity and statements, projects with USAID partnership are barely mentioned in their Global Responsibility Reports (GRR). The “*A Hand to Grow*” project is not mentioned in any GRR⁹⁷ and it is only listed in a report of Walmart Mexico and Central America (Walmart, 2014a).

According to company reports, collaboration between Walmart and USAID in Central America dates back to the beginning of the 2000s. During these 15 years the company claims to have worked with USAID in 14 projects: one regional and 13 national - Nicaragua (1), Guatemala (3) Honduras (4) and El Salvador (5).

The scarcity of references in studies and publications on the relationship between USAID and Walmart is striking, even in documents of organizations that are very critical of the role of the private sector in cooperation policies.

The lack of knowledge and information on such partnerships by organizations that strongly question Walmart is also striking, such as NGOs or trade union and maquila workers organizations in Central America.

Likewise, attempts to obtain information through direct contacts and sources in government agencies did not have good results. The people contacted expressed they knew about these projects and initially were willing to provide information (with reservation of their names), but eventually canceled their interviews.

Our telephone consultations with some organizations that one might suppose were aware of these projects generated concern among the organizations contacted, including the Consortium of Women Workers’ in maquilas. Advisors of this organization made some inquiries and were able to indicate that, apparently, there had been a diversion of cooperation

97 Reports 2004-2014 are available at <http://corporate.walmart.com/global-responsibility/global-responsibility-report-archive> [Reviewed December 3, 2015]

funds aimed at strengthening MSEs towards US-capital maquilas, such as Hanesbrands. The mechanism would be through a pool of cooperation funds from various countries and managed by the CONAMyPE.

Unfortunately, due to lack of time and the impossibility of research on the ground, we have not been able to adequately check this information. It would be interesting to look further into this suspicion in a future study.

CONCLUSIONS

The USAID-Walmart partnership in Central America has been in place for over fifteen years and has been consolidated and formalized through agreements and conventions. As declared by the company, between 2000 and 2015 there have been 14 joint projects, of which one regional and 13 in four countries: El Salvador, Guatemala, Honduras and Nicaragua.

It is striking that, in spite of this long-lasting partnership, there are virtually no references in the literature. Plus very poor, inconsistent and non-transparent public information on these projects, both on the part of Walmart and Walmart Foundation, and on the part of USAID.

In particular there are newspaper articles and publicity on these collaboration agreements in ODA recipient countries. However, the organizations consulted for the purposes of this study (maquilas workers with a long history of resistance and complaints filed against Walmart and its suppliers) were not aware of these projects.

The anti-union and labor exploitation practices of Walmart and many of its suppliers are well-known and questioned by trade union and human rights organizations around the world, both in the US and other countries where Walmart operates. Moreover, the harmful effect on local development, devastating small businesses and increasing pressure on suppliers by manipulating prices and production times is well-documented. Illegal or dishonest practices, including tax evasion and corruption, have also been recorded.

It is unlikely that USAID is unaware of these widespread questionings and places public resources to promote activities that are unlikely to promote local development but, on the contrary, might lead to monopolization of production and sale of food products and other goods based on the commercial interests of a multinational corporation like Walmart.

The adjustment of production to the requirements of a particular company endangers the capacity to build an autonomous local development and the achievement of genuine food sovereignty in which the people are able to decide on their food as per their own traditions and cultural identity.

NOTES ON METHODOLOGY

The selection of this case study arose from newspaper articles and publicity on the signing of a USAID-Walmart agreement to implement the “*A Hand to Grow*” project in El Salvador.

On the one hand, papers, we reviewed publications and newspaper articles available on the Internet to find references to this project and the USAID-Walmart collaboration in general. This review did not produce many results and the main references appeared in announcements and “*publicity-like*” documents of the company itself or USAID.

We also contacted people who had information on Walmart, including a former adviser of UNI Central America and a technical advisor of a maquila workers’ organization in El Salvador. Through the latter, we made contact with a representative of the Ministry of Economy who (anonymously) provided relevant information on the funds assigned to the project and project beneficiaries. However, we were unable to obtain accurate data and the agreed interview was repeatedly canceled.

In all cases we attempted to crosscheck the information of different sources. Where it was not possible, expressions of potential were adopted given that the information was credible even though we were not able to crosscheck it.

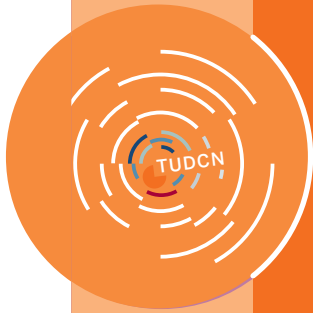
03

General Conclusions, Bibliography and Annexes





TUDCN



3.1 General conclusions and recommendations

ON THE PROVISION OF SERVICES, DESIGN AND MANAGEMENT OF COOPERATION PROJECTS

Looking into the various cooperation projects, we can see that the participation of the private sector in development cooperation policies is not new. Recent years show an evident trend of this participation on the rise, and not only through the contracting services, but in the actual project design and management. Sometimes it is not the companies themselves, but NGOs linked to large multinational corporations, which act as “*executing agents*” of projects directly or indirectly benefiting these multinational corporations.

Often times it is the interests of the companies themselves that seem to guide the decisions of international cooperation of many donor countries. In most of the cases reviewed we see that cooperation resources are guided by the company’s own interest, and not necessarily based on national development priorities or strategies, one of the core principles of international cooperation. Cooperation funds must be indisputably aligned with the strategies and priorities sovereignly defined by recipient countries, and should in no way be the cause of interference or imposition of conditions.

This orientation of cooperation funds based on private interests is not surprising if we take into account that many cooperation agencies and donor governments explicitly state that their development cooperation policies have the expansion of the domestic private sector abroad among their priorities, promoting their interests and creating a “*friendly*” environment for their investments.

Our analysis must not overlook the economic, political and lobbying power of many of these companies. As seen in some of the above cases, often there are direct links with governments and decision-making centers, both of donor and recipient countries, in addition to habitually resorting to practices such as corruption and trafficking of influences, or threats such as withdrawing the investments from the country.

OBJECTIVES, BENEFITS AND BENEFICIARIES

All the above projects formally express absolutely legitimate objectives: providing access to housing and basic services (water, sanitation, energy), diversifying the local economy, promoting the development of small and medium producers, or creating jobs; however, it is clear that all companies involved in the projects receive substantial economic benefits.

The benefits can be indirect subsidies; obtaining comparative advantages; protection against possible major fiscal, environmental or labor requirements; guarantees of fiscal stability; publicity and “*cleaning the image*”; lobbying and diplomacy services with local governments, among others.

Undoubtedly, the fact going hand-in-hand with agencies or international cooperation provides legitimacy and gives a philanthropic character to companies that often are questioned or resisted by local populations.

In comparison, the benefits for the vulnerable populations targeted by the projects do not seem so important, especially if we could compare with the potential of targeting cooperation efforts to other projects seeking to strengthen public policies and the State’s capacities to meet the most pressing needs, such as combating poverty, food sovereignty, basic services, health, education, or creating decent work.

THE MEASURE OF THE CONTRIBUTION TO SUSTAINABLE LOCAL DEVELOPMENT

The private sector is very important for the development of a country. However, we must acknowledge its limitations to ensure the protec-

tion and exercise of certain rights, such as protection of the commons, universal access to essential services, or the implementation and control of regulatory, environmental or labor frameworks. These are indisputable State responsibilities, rights which the private sector cannot and should not be the guarantor.

It is important to find out to what extent these projects articulating public funds of international cooperation and large multinational corporations actually favor or energize autonomous and sustainable local development or, on the contrary, perpetuate relations of subordination and dependence, and even lead to or aggravate the already precarious social and labor conditions. Indeed, in all the above cases the companies involved have received complaints based on irregularities, non-compliance, abuse and violation of human or labor rights.

Moreover, it is often said that the installation or expansion of these companies would make an important contribution to the economy of recipient countries through the payment of taxes. This does not seem to be such if we take into account the numerous denunciations of dishonest accounting practices, use of tax havens and tax evasion.

Specifically in terms of employment, often times job creation is wielded as one of the arguments to promote such projects. However, the objectives and indicators of the individual projects reviewed make no mention whatsoever of working conditions.

All in all the results in terms of job creation are usually not as important as expected, and working conditions in general are far from what might be considered decent work. Subcontracting or outsourcing, anti-union practices, poor health and safety conditions are practices that unions recurrently denounce in the companies involved in the projects reviewed.

To say the least, it is controversial that donor countries allocate cooperation funds to joint projects with companies that with numerous complaints filed against them and convictions for violation of international or national labor standards.

The orientation of cooperation to other more labor-intensive sectors of

the economy, especially small and medium enterprises, might have more impact on the generation of more and better jobs. This is an aspect that should be taken into special consideration when evaluating the advisability of certain projects.

Please note that simply fact of guiding cooperation toward more labor-intensive sectors, cooperatives, small and medium enterprises does not ensure the construction of fair long-term development. It is essential to bear in mind the need to strengthen State mechanisms in many countries for the design, planning, implementation and monitoring of their development policies in a sovereign manner. This includes building capacities to regulate and control the private sector, something that international cooperation should not lose sight of.

TRANSPARENCY, ACCOUNTABILITY AND ACCESS TO INFORMATION

How the cooperation agencies or actors articulate with the companies involved in these projects takes place is not always clear. In fact, many times public data and information from official sources are too general, inadequate, confusing and even contradictory.

When there are data, often the information provided by companies is even more confusing. In general, the information is reflected in voluntary CSR-like reporting or newspaper or propagandistic announcements, mainly in aid-recipient countries where these companies seek or need to “*clean up*” or improve their image to reduce the resistance of the local community.

The fact that projects are directly coordinated with specific companies obstructs transparency, among others, because the standards and rules of access to information between private and public parties are not the same. Different laws exempt companies from publishing certain information that is considered sensitive for the company, but that is essential for social control over the use of cooperation funds.

In many cases the lack of information or ignorance on the existence

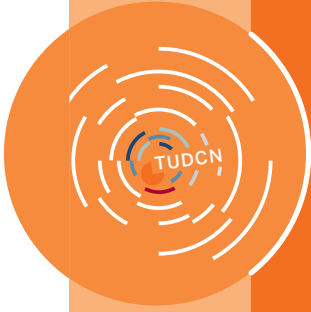
of such projects is striking, even on the part of organizations specifically interested either in following up on issues of the cooperation and transparency, or in monitoring of large companies. The “*prudence*” with which various officials linked to projects, and contacted during the development of this study, expressed themselves is also worthy of mention.

Transparency, access to information and the establishment of participation mechanisms must certainly continue to be demands of the trade union movement and social organizations in general, both in donor countries and aid-recipient countries. Upon reviewing the cases we could clearly see that the agencies with a higher level of transparency facilitate serious and ongoing follow-up by different social organizations, providing the possibility of social control of public resources and monitoring and evaluation of results.

The trade union movement, by virtue of its capillarity and international orchestration, could make a significant contribution to bringing to light information that in many cases is intentionally concealed by both governments and companies.

Trade union organizations in donor countries are called upon to play a leading role, not only because it is public resources in their countries that are diverted toward the private sector, but also as a matter responsibility and solidarity with the workers of aid-recipient countries. Furthermore, in general donor countries have more possibilities of dialogue and social control, stronger regulatory frameworks, and their organizations often have greater financial and other resources to assign to following up on these issues.

A strong and articulate civil society is also essential in aid-recipient countries to intervene in the decision-making and monitoring processes. In this regard, strong and democratic trade union organizations can play a key role due to their capacity to intervene in the local development agenda, as well as by stimulating dialogue with all social actors. Cooperation policies should not ignore this aspect in order to ensure their effectiveness in the promotion of rights-based development.



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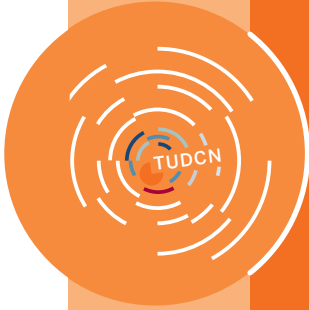
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3.3 Annexes

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<http://www.concordeurope.org/es>

CONGDE (Coord. de ONGs para el Desarrollo de España)
<http://www.congde.org/>

DESCO (Centro de Estudios y Promoción del Desarrollo)
www.desco.org.pe

EURODAD (European Network on Debt and Development)
www.eurodad.org

HEGOA (Instituto de Estudios sobre Desarrollo y Cooperación Internacional) <http://www.hegoa.ehu.es>

HUMAN RIGHTS WATCH, BUSINESS
<https://www.hrw.org/topic/business>

LATINDADD (Latin American Network on Debt, Development and Rights) <http://www.latindadd.org/>

OXFAM - WWW.OXFAM.ORG

ROA (Reality of Aid) www.realityofaid.org

SOMO (Centre for Research on Multinational Corporations)
www.somo.nl

B Official portals reviewed (July-August 2015):

ABC (Brazil) www.abc.gov.br

AECID (Spain) www.aecid.es

AMEXCID (Mexico) <http://amexcid.gob.mx/>

AUSAID (Australia)
<http://dfat.gov.au/aid/Pages/australias-aid-program.aspx>

WORLD BANK COUNTRY PROJECTS AND OPERATIONS
<http://www.bancomundial.org/projects/country?lang=es&page=>

IDB <http://www.iadb.org/en/inter-american-development-bank,2837.html>

BNDES Inserção internacional
http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Ar-eas_de_Atuacao/Exportacao_e_Insercao_Internacional/

CAF www.caf.com

EUROPEAN COMMISSION (EuropeAid), Latin America
http://ec.europa.eu/europeaid/node/7336_en

INTERNATIONAL FINANCE CORPORATION (IFC)
<http://www.ifc.org>

DFID - UKAID (United Kingdom)
<https://www.gov.uk/government/organisations/department-for-international-development>

GIZ (Germany) www.giz.de

IPEA (Brazil) www.ipea.gov.br

NORAD (Norway) <http://www.norad.no/en/front/>

SEGIB www.segib.org

USAID <https://usaid.gov/>

ANNEX II Cases identified; preliminary results

01 GERMANY

No specific cases were found, although they may exist given its “pioneering” role in financing the private sector with ODA funds. The Ministry of Foreign Affairs changes policies, states that “cooperation funds should serve German interests abroad, not only the development needs of the countries”.

In 2009, 27% of cooperation was tied. Of the part for technical cooperation, 52% was tied.

Suggestion:

- Strengthen consultation with German trade unions and social organizations.
- There has been no response to date.

02 AUSTRALIA

The Australian government is closing development aid programs for Latin America and the Caribbean. Some global programs are still eligible such as Extractive Industry Transparency Initiative (EITI) and the International Mining for Development Centre (IM4DC).

The website of its cooperation agency (AusAID) explicitly states that its cooperation policy is to defend national interests, improve its image, and create opportunities for its companies abroad.

Concrete examples:

- Through the Australian Mining for Development Initiative (AMDI) funds were assigned to build capacities (training employees) in Argentina, Chile and Peru. Apparently works were not financed (which does occur in Africa). Official assessment reports of the Australian Cooperation Agency (AusAID) explicitly state that the program has been successful, that it has helped improve Australia's image and has favored the entry of Australian mining companies in those countries.
- AusAID, along with cooperation from Germany and Chile, financed the project Paraguay for All. In its assessment reports the Australian government recognizes difficulties in the implementation. No specific complaints have been found.
- AusAID, with cooperation of Chile, implemented the project on mining in Honduras under AMDI initiative. No specific complaints have been found.

Observation:

Looking into news articles, we can see that, coincidental with the program, the number of Australian mining companies operating in Peru has grown (news in 2015 mention 93 companies).

03 EUROPEAN COMMISSION Latin America Investment Facility (LAIF)

There are currently 25 projects. In 2011, of 8 projects only 1 addressed local SMEs, the rest were European companies/multinationals. There is not much official information, but there are general denunciations.

Concrete examples:

- Project in Nicaragua, Spanish bilateral funds were blocked due to

complaints filed for corruption in the government. These funds were unblocked upon becoming part of the LAIF mechanism because this fund does not have the same requirements as the funds are allocated directly to the private sector.

04 SPAIN

It is where we found most information, most likely because of the volume of aid to Latin America, and because there is a very good follow-up of projects by Spanish social organizations.

Concrete examples:

- Funds of Water and Sanitation Cooperation Fund (FCAS) for improvements in sanitation system in marginalized areas of Cartagena de Indias, Colombia. The works are performed by Aguas de Cartagena, concessionaire since 1995, with majority capital owned by Aguas de Barcelona until 2010.
- Funds of the Business Development Cooperation-CAP 11 for CSR projects of the company REPSOL-YPF Ecuador with indigenous populations of the Amazon region, where the company has operations with high environmental impact.
- FAD credits for the benefit of Spanish interests in Nicaragua: a) entry and subsequent monopoly in the distribution of the Spanish power company FENOSA; b) construction of the Masaya road in a tourist area with Spanish interests when in fact they had been originally assigned to support victims of Hurricane Mitch; c) 30% of FAD operations in 1999-2006, in favor of INDRA.

05 UNITED STATES

We did not find much official information (the information made available by USAID is poor).

Concrete examples:

- Complaints about the use of USAID funds through the WADA program Coca Cola, for the construction of treatment plants in places where the company needs to secure sources of water, while the nearby population cannot access the service because of its high costs.
- USAID funds for the Walmart Mexico and Central America CSR program. Project “A Hand to Grow” to improve the integration of SMEs into the Walmart supply chain.

06 WORLD BANK GROUP

More than 100 projects with WB loans with complaints filed due to population displacement, 15 were analyzed in which the funds came from other donors, not the Bank itself. The projects with private participation received CDL funding and were not declared as ODA.

Four projects were identified that received funding from the International Finance Corporation (IFC) and present human rights violations:

- **Honduras** financing to the Dinant Corporation, dedicated to agribusiness (palm oil). Land occupation, murders.
- **Nicaragua** financing to Hidro Santa Cruz (subsidiary of Hidralia, Spain) for the construction of a hydroelectric plant. Resistance and conflicts with local communities: threats, kidnappings, etc.
- **Guatemala** Financing to Hidroxacbal. Possible conflict with local communities due to occupation of territory.
- **Nicaragua** Grupo Pellas funding assigned to growing sugarcane. Possible violation of human and labor rights.

We found denunciations filed by NGOs and social organizations in Haiti against World Bank financing assigned to review (supposedly flexibilize) the mining regulatory framework in Haiti, but we found no official information of the World Bank or the government on a technical assistance project or similar that might be related to said complaints.

07 NORWAY

Only two projects in Latin America:

- Haiti reconstruction funds.
- Oil Fund in Nicaragua, involving the World Bank.

Support for institutional strengthening and to promote the business climate. No complaints were found.

08 United Kingdom

Allocates 2.5% of its ODA to LAC: Guatemala (1.2%), Jamaica (0.3%), Haiti (0.23), Colombia (0.17), Mexico (0.14), Brazil (0.13).

Denunciations on the web on projects in Africa and Asia. For example, financing of the reforms of seed laws (Monsanto), construction of luxury hotels, etc. No complaints filed on projects in Latin America were found.



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