

2010  
Vol. 3 Nº 2



# Revista de Negocios Internacionales

DEPARTAMENTO DE NEGOCIOS INTERNACIONALES

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Corporate social responsibility and its role in the Colombian armed conflict

Revista de Negocios Internacionales. Vol. 3 Nº 2 - Julio - Diciembre 2010 - Pp. 17 - 27

# Corporate social responsibility and its role in the Colombian armed conflict

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## Abstract

The following paper focuses on the importance in the commitment of Corporate Social Responsibility (CSR) in countries with long term armed conflicts, as an effective tool for the peace building process and to deal with the subsequent consequences. The analysis is supported by the study of International Alert, an independent peace-building organization that works in Colombia, also engaging the Voluntary Principles on Security and Human Rights and the CSR System, giving us an approach to consider the awareness of peacebuilding potential of the private sector in Colombia.

## Introduction

The armed conflict has been an important issue in Colombia throughout the last decades, emerging in the beginning of the 1960s but with a historical background dating back to the bi-party<sup>1</sup> conflict in the 1950s; it affects the population's security and also has a considerable impact in the economy of the country and the region<sup>2</sup>(Godnick, 2009). This concerns the private sector and its role in conflicts in Latin America, allowing the corporate social responsibility to act as a way of peacebuilding support, engaging Colombian firms and multinationals in a variety of initiatives to prevent and to deal with the conflict, while giving a second response to the Colombian people.

One of the examples of how a violent conflict has long term consequences in the economy of a country is the decrease of the investment on human capital(Rettberg, 2008, p. 6), referring the jobs available in the company, and the capacitation for

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1 The guerrilla conflict in Colombia was divided in two different forces against the government, Las FARC and Las Autodefensas.

2 According to Alberto Carrasquilla, Colombian former finance minister, Colombia would be 15% or 20% richer than what it is now if it's internal conflict did not exist during the last 20 years. Colombian GDP has fallen by 2% between 1980 and 2000, as a consequence of the high crime levels caused by the intensification of the armed conflict.

employees, most companies would invest in expanding productive capacity, innovation and generating employment if Colombia were at peace. With expectations for higher income through criminal activities, young population could drop out of school, causing an increase in crime levels, creating this a vicious cycle that just gets worse when adding drug traffic (Godnick, 2009).

However there are organizations such as International Alert<sup>3</sup>, UN Global Compact, that have worked in Colombia supporting peace processes against the guerrilla with local actors and focus their work in the private sector as the key for long term relations in Colombia and their peace building potential.

The process of adopting CSR practices gives companies a strategic move, because by acknowledging responsibility for its business practices and operations they get a lot of benefits, it ensures that customers, suppliers and the local community know what you are doing; it can be a key part into winning contracts, providing long-term value, but sometimes is a response to the pressure coming from several kind of actors, such as NGO's or private consumer organizations working toward a variety of causes (Haslam, 2004).

## Definition of Corporate Social Responsibility in Latin America

According to Social Accountability Accreditation Services (SAAS)<sup>4</sup>, which manages direct accreditation of compliance with social standards, including Social Accountability 8000 and InterAction standard for ethical working conditions; there are 119 cases of CSR certified activity in Latin America by December 2009, with just four of these involving Colombian companies, this number increases every year. In addition to that, there is an alternative response regarding CSR coming from the private sector, concerning solutions to both business and social problems, involving companies in a more creative way. This alternative response creates the difference between the CSR in developed countries and developing countries, because in developed countries there are multiple cases of CSR.

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3 International Alert is an independent peace building organization that works to lay the foundations for lasting peace and security in communities affected by violent conflict.

International Alert has been working in Colombia since 1994. They currently focus on engaging the private sector in conflict prevention, peacebuilding and sustainable development initiatives to address the increasing polarizations between this sector and other elements of civil society.

4 SAAS operates as an accreditation body. SAAS manages and directs accreditation activities, including the granting, maintaining, extending, reducing, suspending and withdrawing of accreditation for applicable social standards and verification codes, such as SA8000 and InterAction

According to Haslam (2004) "There is a huge gap between the most developed countries of the Americas (Canada and the United States) and the rest of the region. As deep as this gap is, a similar gap exists between the most advanced developing countries of the region and the rest" (Haslam, 2004, p. 3).

The main difference is that CSR in Latin America is mainly influenced by NGOs and multilateral institutions (Haslam, 2004, p. 6), mostly coming from outside of the region, they help in the implementation of CSR initiatives for the private sector, with minimal involvement of the government (Haslam, 2004: 3). For this CSR to be effective, it must be applied to the specific social and economic features of each country, so the initiative can contribute to the construction of a better society, improving the standard of living of the population involved and developing better results in terms of economic development for both the companies and the population (Peinado-Vara 2006).

It is not to be said that the private sector is going to fix all the social and economic problems, but it can provide welfare by introducing CSR activities in the development of its long term relationship with the country's government and expanding it to other markets in the region. "Most companies have traditionally focused on market segments that provide substantial profits and quick returns on investments, on markets they understand" (Peinado-Vara. 2006: 63). CSR involves a higher level of business and social ethics that goes beyond the law, because the civil society has started to demand greater participation and social commitment of the companies as a result of the failure of the governmental paternalism, the business sector plays a central role in the expectations of civil society.

But helping with the improvement of the quality of life is not the only motivation companies have to involve in CSR activities, as a result they will fulfill their need for greater media exposure, add value to their business and retain more consumers, this translates in the improvement of their profitability. Besides, operating in low-income markets will give them reputation and a competitive advantage in the region, because the competition is low and they are helping with the social problems of the region, and also it will be easier for them to take advantage of new business opportunities.

Activities concerning community involvement adopted by companies in Latin America are mostly related to the support for cultural and sporting events, social development, education, health and environment (Haslam, 2004, p. 8). Most of them are not considered or regularized as specific principles or obligations, by the CSR codes of conduct<sup>5</sup> committed previously by the company. That's why

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<sup>5</sup> Like those adopted voluntarily by companies, developed as their own initiative or as a third party initiative, such as the Ethical Trade Initiative (ETI) and the SA8000

independent third parties such as independent NGOs evaluate and audit the adoption of these CSR activities, in the same way they control the distribution of charity (Prieto-Carron, 2006).

## Armed conflict and private sector

The origin of the Colombian armed conflict can be traced back to the 1940's and 1950's, during a period known as "*La violencia*", a power struggle between the two traditional political parties<sup>6</sup>. By the end of the 1950's the parties involved forged an agreement to take turns in the Colombian presidency, leading to a marginalization of socialist political and economic platforms.

The authoritarian government practices created discontent in the population, in addition to economic factors and the unfolding dynamics of Cold War. To confront this, some leftist movements arose in the 1960's and 1970's, looking to instate socialism to overcome political, social and economic disparities (Godnick and Klein, 2009).

There are some organizations working in alliance with the private sector to ensure peacebuilding and economic development in conflict's regions. International Alert and *Instituto de Estudios para el Desarrollo y LaPaz* (INDEPAZ) are two organizations involved in this international cooperation that also involves a wide range of social actors, those including the media, political and military leadership and the private sector (Godnick and Klein, 2009).

Armed long term conflicts have highly impacted on private sector production, with differences in the kind of impacts depending on the type of organization, economic sector and geographic location.

With the collaboration of the Peacebuilding Research Program at Universidad de los Andes (ConPaz), International Alert and the Centre of Economic Development (CEDE- Universidad de los Andes) made a research in 2004, involving all sectors of the Colombian economy, allowing a better understanding of the costs suffered by the private sector in armed conflict affected countries.

There are direct and indirect conflict costs, and they are reflected on elements like transactions, investments, loosen opportunities and consumer behavior (Rettberg, 2008). The direct costs include extortion payments, threats, direct attacks on companies or their employees and decreases in sales as a result of temporary or longer-term shut-downs (Rettberg, 2008); In the same way the loss of busi-

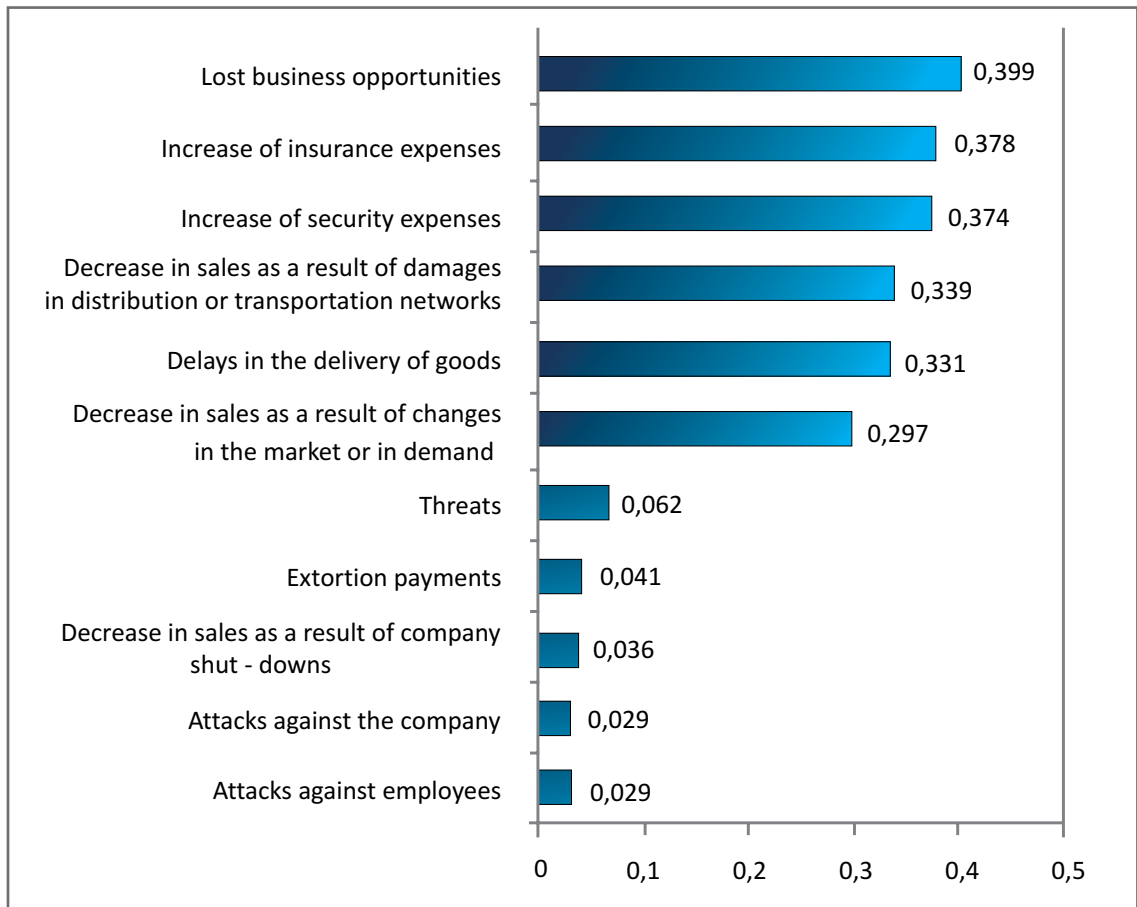
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<sup>6</sup> For many years, the Colombian constitution allowed only two political parties, the Liberal and the Conservative, to participate in the national government. These two parties consistently dominated Colombian politics. Recent changes allow for more parties, and several have emerged, but the Conservative and Liberal parties control a majority of elected offices.

ness opportunities, delays in the delivery of goods, augmentation in security and insurance expenses, changes in demand and market dynamics and disruptions in distribution and transport networks, are considered as indirect costs (Godnick and Klein, 2009).

**Graphic 1**

(Rettberg, 2008, p. 26)



**Indirect costs (dark bars) and direct costs (light bars) (average)**

Source: (Rettberg, 2008, p. 26)

The graphic shows the direct and indirect costs associated with armed conflict costs.

According to results of a similar research, larger companies were mostly associated with armed conflict costs, with notable differences depending on factors like the economic sector and geographic location, for instance, those working in mining, gas, electricity, agriculture and transportation, frequently reported extortion payments and temporary shut-down.

These are problems that deeply affect private sector in its normal activities, overall it is said that security has improved since the Presidency of Alvaro Uribe Velez<sup>7</sup> (2002-2010) started his term and that his government has created a general sense of peace in the country's main cities. This situation makes a request for future concerted actions, involving both private sector and government to reduce armed conflict and its effects in the population's life quality.

## Peacebuilding and the Private Sector

As well as international independent institutions support and work for the peace building and development of a sustainable economy in Colombia, there is a tripartite process trying to make a consensus towards the priorities of international cooperation for development, this process is known as the London(2003) – Cartagena(2005) process (Pero, 2005). The parties involved in this process are the Colombian government, the Colombian civil society in a diversity of expressions and the G-24<sup>8</sup> a group of donors, both bilateral and multilateral.

The origin of the international cooperation funds received in Colombia is mostly concentrated in the United States, the European Union and the United Nations, with the North American country contributing with nearly half of the amount of bilateral aid, the EU representing a similar proportion of the multilateral and the UN agencies donating the other half. But the role of the United Nations (UN) is not limited to the monetary contribution; the United Nations Development Program (UNDP) administrates bilateral aid and implementation to the Colombia government.

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7 Alvaro Uribe Velez is the 39th President of Colombia and is currently serving his second term in office. Uribe started his political career in his home department of Antioquia. He has held office in the Medellín Public Enterprises (Empresas Públicas de Medellín) and in the Ministry of Labor and in the Civil Aeronautic. Later he held office as the mayor of Medellín in 1982, then he was Senator between 1986 and 1994 and finally Governor of Antioquia between 1995 and 1997 before he was elected President of Colombia in 2002. Under his presidency, the Revolutionary Armed Forces of Colombia (FARC) have suffered a series of military defeats, the main paramilitary groups have gone through a demobilization process and he has spearheaded several Free Trade Agreements with different countries.

8 Group of governments and international organizations, integrated to support the Colombian government and society through politics and economy, in its efforts towards development, peace building and reconciliation (Balza, 2007).

## Graphic 2

(Godnick, 2009, p. 30)

### Bilateral and Multilateral Cooperation 2002-2006 In US Dollars

SOURCE	2002	%	2003	%	2004	%	2005	%	2006	%
Bilateral	218.042.698	84%	221.355.442	77%	244.249.330	76%	251.575.099	76%	281.773.733	80%
Multilateral	41.412.454	16%	65.612.352	23%	77.865.880	24%	81.214.743	24%	71.517.013	20%
Total	259.455.152		286.967.794		322.115.210		332.789.842		353.290.746	

Source: Agencia Presidencial para La Cooperación Internacional y Acción Social Mapa de La Cooperación Internacional (2007).

Available at [http://www.accionsocial.gov.co/acci/web\\_acci/nuevomapa/bienvenida.html](http://www.accionsocial.gov.co/acci/web_acci/nuevomapa/bienvenida.html)

### Bilateral Cooperation 2002-2006 In US Dollars

COUNTRY	2002	%	2003	%	2004	%	2005	%	2006	%
US	125.508.594	58%	117.900.000	53%	125.000.000	51%	126.931.216	50%	134.487.000	48%
Spain	25.500.000	12%	23.010.000	10%	22.750.000	9%	21.600.000	9%	38.280.509	14%
Netherlands	9.561.800	4%	7.990.968	4%	16.730.909	7%	21.381.114	8%	27.293.224	10%
Germany	21.342.910	10%	20.992.140	9%	18.058.113	7%	20.000.000	8%	20.000.000	5%
Sweden	7.502.363	3%	11.469.452	5%	16.171.470	7%	15.000.000	6%	15.030.000	4%
Japan	6.913.553	3%	6.991.907	3%	8.734.054	4%	11.149.687	4%	11.000.000	4%
Subtotal	196.329.220	90%	188.354.467	85%	207.444.546	85%	216.062.017	86%	246.090.733	87%
Total	218.042.698	100%	221.355.442	100%	244.249.330	100%	251.575.099	100%	281.773.733	100%

Source: Acción Social Mapa de La Cooperación Internacional (2007). Available at [http://www.accionsocial.gov.co/acci/web\\_acci/nuevomapa/bienvenida.html](http://www.accionsocial.gov.co/acci/web_acci/nuevomapa/bienvenida.html)



### Multilateral Cooperation 2002-2006 In US Dollars

SOURCE	2002	2003	2004	2005	2006
EU	18.081.727	36.303.846	46.800.000	31.611.578	32.000.000
WFP	3.050.091	3.690.049	6.994.320	10.740.074	8.000.000
UNOHCHR	580.335	NA	NA	812.000	8.000.000
UNHCR	2.700.000	3.500.000	4.180.986	4.691.555	5.911.000
UNICEF	4.445.000	4.548.852	2.188.105	5.255.858	5.712.431
World Bank	1.200.200	3.014.198	7.046.158	6.000.000	4.926.734
Subtotal	30.057.353	51.056.945	67.209.569	59.111.065	64.550.165
Total Multilateral	41.412.454	65.612.352	77.866.880	81.214.743	71.517.013

Source: Acción Social Mapa de La Cooperación Internacional (2007). Available at:  
[http://www.accionsocial.gov.co/acci/web\\_acci/nuevomapa/bienvenida.html](http://www.accionsocial.gov.co/acci/web_acci/nuevomapa/bienvenida.html)

International cooperation aimed in the London (2003)-Cartagena (2005) process (Pero, 2005), has six different areas of intervention, including forest conservation, reintegration of ex-combatants, alternative development for illicit crop eradication, state capacity and rule of law, regional peace and development programs, forced displacement and humanitarian assistance. These areas of intervention give an opportunity for the private sector to engage with their CSR programs, as some companies are already doing, especially in the economic reintegration of ex-combatants (Godnick and Klein, 2009).

COMPANY	ACTIVITY
Cementos Argos	Training in brick-making and construction. Support for the chili pepper cultivation project 320 jobs.
Bipro	Worm culture for organic fertilizers. Partnership with USAID. 10 production facilities providing 300 jobs.
Impat	Internet kiosks to serve lower and middle-income markets 300 beneficiaries.
Home Center	Inclusion of 70 ex-combatants into its supplier's network.
General Motors	Production of industrial uniforms for company, 100 beneficiaries.
Unnamed company	Production of children's clothing, 180 jobs created.
Colgalletas	Production of consumer foodstuffs, 21 jobs created.
Monarca	Recycling and processing of coffee harvest waste, 600 participants.
Unnamed company	Production of sugar cane ethanol and African palm bio-fuels, 1500 beneficiaries.
Hipermercado	Incorporation of 500 ex-combatants into national supplier network for supermarket chain.
AKT Motorcycles	Training for ex-combatants to be certified AKT auto mechanics

Source: Revista Dinero (2008). Emprendimiento: Empresas por la Reconciliación. 18 January. Bogotá: Revista Dinero.

Organizations like International Alert motivate the private sector, involving local and multinational enterprises that in some way could help with some kind of cooperation to deal with the consequences of the conflict. There are multiple initiatives, like those in the list above, that companies are committing to, to prevent conflict and support peacebuilding and long term relations by engaging themselves and their CSR activities.

The Voluntary Principles for Security and Human Rights, developed by International Alert, with the support of the Embassy of the United Kingdom in Colombia and the Canadian government's Global Fund for Peace and Security, provide guidance to companies operating in zones of conflict, so they can ensure security forces and protect company's facilities, protecting company's assets while respecting human rights (Tripathi & Godnick, 2008). These principles are divided in three categories, risk assessment, interactions with public security and interactions with private security.

International Alert has developed the draft guidelines of The Voluntary Principles for Security and Human rights to bring uniformity, clarity and simplicity in information for global assistance and materials available to make better decisions within the companies (Tripathi, Godnick and Klein, 2003).

In Colombia the national and multinational private sector have engaged in Public-Private Partnerships, creating multiple opportunities for the development of peacebuilding processes, such as the guidelines of The Voluntary Principles for Security and Human Rights, helping with factors such as the reintegration of ex-combatants to the society and the generation of income earning opportunities for the population affected by the conflict.

It is vital for conflict-sensitive alternatives to ensure the security of beneficiaries and participants in development of the economy, to be considered as the top priority to not be sacrificed by some other national security interests. Because this will give security to the investors and can open possibilities of other major investments in Colombia.

## Conclusions on CSR and Armed Conflict in Colombia

The Colombian government and population are not being left alone to deal with all the conflict consequences, there are a lot of organisms, governments and even companies working together to contribute to the improvement of the peace building process, and also to complement all the efforts that the governmental agencies are doing in order to reconstruct the social structure and order in the country. CSR in Colombia has a potential economic development and with the support of international organisms and the government, it can be used to improve the population's life quality, especially of those affected directly by the armed conflict, through the preservation of the environment, the creation of job opportunities and some other activities that are already being implemented and will translate in multiple benefits for the region in the future.

International cooperation, if well managed, can make a huge difference in the peace building and reparation process; with all the resources that the country receives every year for this concept, monetary and non-monetary, a great work can be made. Concerning the engagement between the private and public initiatives via the CSR and international cooperation programs of the companies can have outstanding results if they are continuous and coherent.

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