

**Local Business, Local Peace:
the Peacebuilding Potential of the
Domestic Private Sector**

**Case study
Colombia***

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Colombia

Doing business amidst conflict: emerging best practices in Colombia

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This chapter examines private sector involvement in peacebuilding and conflict prevention in Colombia. The first section offers a description of the political and economic dimensions of the conflict. There has been an intense debate, shaped by ideology, on the nature of the conflict in Colombia and the policies most likely to resolve it. The only clear consensus to emerge is the need for its end. Such controversies and the dynamics on the ground are the setting in which Colombian businesses, large and small alike, decide on how to deal with the conflict. The challenges faced by businesses and their responses are discussed in the second section.

The third section describes cases where business has tried to play a positive role, and each teases out the motivations behind private sector involvement in peacebuilding. Actors and incentives that make engagement possible are identified, as well as practical aspects of creating and managing peace initiatives. Though more data is needed to know how much the private sector is actually doing, the report finds that businesses are increasingly supporting projects that can be classified as peacebuilding. They are also more aware of human rights, transparency and democracy issues than before. A combination of factors, such as the spread of corporate social responsibility (CSR) and the engagement of international donors may account for such trends. The concluding remarks reflect on these issues and offer preliminary lessons on the obstacles and opportunities businesses face when supporting peace.

The Colombian conflict

Colombia's conflict is 40 years old. At first glance, the country lacks the ingredients that ignited or prolonged conflicts in Africa, the Balkans, the Middle East and Asia. Colombia has not experienced long, oppressive dictatorship; it has been a

constitutional democracy for most of the 20th century and has stable, independent institutions. Colombia is widely identified as a 'Western' country and is considered a respectable member of the international community. It has not suffered deep cultural cleavages. None of its regions has seriously advocated separatism; religion has not been a source of tension; and inter-ethnic relations are peaceful. Colombia is not rich, but neither is poverty extreme; with a GDP per capita of \$2,000, Colombia ranks 69th out of 177 countries, according to the UNDP's *Human Development Index* for 2004.

The economy, moreover, has been stable for a long time, with no severe meltdowns, no dependence on volatile commodity markets and a significant degree of industrialisation. Agriculture accounts for 12.3 percent of GDP, industry 29.4 percent and services 58.8 percent.² More than 44 percent of the land is used for agriculture. There are about 7,000 registered manufacturing firms, 89,000 retail businesses and 400 multinationals in Colombia.³

The conflict cannot be attributed to a bad neighbourhood either. The Andean region has witnessed weak governance and political instability, but little in the way of entrenched civil conflict.⁴ Colombia has not been entangled in local wars since a 1932 border dispute with Peru. South America is one of the most peaceful continents in the world as far as inter-state wars go.⁵ Colombia, however, does have illicit coca crops and drug trafficking, and these have undoubtedly prolonged the war by funnelling millions of dollars to illegal armed groups. But illegal drugs do not provide a sufficient explanation for the war.⁶ Local Marxist guerrilla groups emerged long before the cocaine industry flourished and other countries with illicit crops, like Bolivia and Jamaica, have not suffered similar problems. So, what started the conflict, what was it about and what are its main features today?⁷

A key antecedent of conflict was *La Violencia*, a power struggle in the 1940s and 1950s between sympathisers of the Liberal and Conservative parties, the two dominant forces in Colombia's political history. The 1955-58 dictatorship of General Rojas Pinilla was a formula to placate the violence, and ended when Liberals and Conservatives agreed to co-exist peacefully. In 1957, party leaders – members of the social elite – pushed to reinstate democracy and signed a power-sharing agreement, the National Front, which allowed them to take turns at the presidency during the next four terms. However, the less privileged, rural political base perceived the arrangement as exclusive, while others resented the fact that socialist ideologies were *de facto* banned from power. Expressions of state authoritarianism also raised discontent, adding to socio-economic grievances related to unequal development and the widening gap between rich and poor. Against this background, and influenced by Cold War dynamics, the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) and the *Ejército de Liberación Nacional* (ELN), the two main Marxist guerrilla groups active today, as well as other

insurgencies that demobilised in the early 1990s, appeared in the 1960s and 1970s with the goal of instating a socialist system to redress political and economic inequalities.

The violence was relatively contained until the early 1980s. Unlike other Cold War conflicts, neither the US nor the Soviet Union provided significant funding or weapons to Colombia. The guerrilla groups were small, survived on petty theft and extortion, recruited in less populated rural areas and sometimes acted as authority figures in localities with little state presence. Confrontation with the armed forces was infrequent and usually occurred far from Bogotá, the capital. As time passed, however, the conflict evolved. The 1980s saw a slow but steady swell of the illegal armed groups, especially FARC and ELN, which found financial support for military expansion through kidnapping, cattle theft and extortion from large landowners. During the same decade, illegal, right-wing paramilitary groups emerged as independent counter-insurgency forces in different parts of the country, supported by cattle ranchers, emerald traders, agricultural entrepreneurs and large landowners frustrated at the lack of state protection.⁸ Since then, a segment of the private sector has been closely associated with the paramilitary forces.

Over the same period the illegal drug industry began to play a significant role in the escalation of the conflict. FARC strategically decided to tax the cultivation of coca bushes and the production of cocaine to obtain finance. Some paramilitary groups, like *Muerte a Secuestradores* ('Death to Kidnappers', or MAS), were also tied to drug traffickers in the use of their private armies to protect clients' business and properties from possible extortion. The pressure of the global drug market, the interests of Colombian traffickers, lawlessness in remote areas and the increasing motivation of armed groups to finance their political ambitions with illegal drugs eventually led to a meteoric rise in cocaine production. Colombia went from a few hectares of coca bushes to approximately 40,000 hectares in 1990 and 169,800 in 2001. By then Colombia represented 76 percent of the world's total coca cultivation.⁹ Drugs and war fed each other.

FARC, ELN and the paramilitaries expanded their influence throughout the 1990s. The methods through which they sought to gain control over local populations, authorities and politicians became more and more gruesome. Groups routinely resorted to murder, massacre, terrorist attack and displacement. They also assertively competed for financial resources, especially through coca cultivation and trade. In 1996, an unprecedented escalation of armed hostilities began. FARC displayed its power through a series of attacks against police, military forces and garrisons, and one year later the scattered paramilitary groups united under an umbrella organisation, the *Autodefensas Unidas de Colombia* (AUC). According to official estimates, FARC forces grew from a few thousand fighters in the early 1980s to 15-18,000 a decade later; ELN grew to 5,000; and the paramilitary recruited at

least 15,000.¹⁰ The Colombian armed forces also stepped up their response, improving military and law enforcement capabilities with US assistance.

The magnitude and severity of conflict began to take its toll. Internal displacement tripled to about 280,000 per year, civilian massacres and homicides increased with the dirty war, and terrorist attacks in towns and cities became more frequent.¹¹ Partly as a result, there was negative economic growth for the first time since the 1930s. Unemployment hit 20 percent, making war and criminal activities more attractive. The government estimates that violence and conflict cost Colombia around \$6 billion between 2000-05.¹²

Successive governments have combined negotiation with military and judicial measures, as well as investment in social programmes, in a bid to end the conflict. Where the balance between these policies should lie has long been a matter of national controversy. In 1998, the Pastrana administration (1998-2002) launched a round of talks with FARC, and the president invited the international community to support his peace strategy politically and economically – the first time a Colombian president had appealed internationally in this way. The UN and EU responded by increasing economic and humanitarian assistance, while the US helped with Plan Colombia, a large anti-narcotics, anti-terrorist package with a strong military component. As will be discussed below, for the first time business leaders played an active role supporting the talks, which however failed in 2002. Pastrana offered FARC a temporary, demilitarised zone in which to further peace talks, but the rebel movement used this locality for further training and regrouping. Domestic and international observers began to question whether FARC had turned into a greed-based criminal organisation. The result was general disillusionment with political solutions to the conflict, and increased rejection of conflict-related violence and crime. The mood provided a base for President Álvaro Uribe (2002-06) to launch, with US assistance, an all-out war against FARC and ELN, as well as the right-wing paramilitary groups. All were labelled terrorist organisations.

FARC is still trying to re-conquer territory, though it has suffered significant losses. ELN is nearly vanquished and is pondering full demobilisation, though its cells are still active. Violence, extortion and kidnapping still occur but both guerrilla groups have lost much of their political base and capital. While socio-economic grievances remain, the old claims of political exclusion no longer seem relevant. Colombia has gone through constant democratisation since the 1980s and there is more pluralism than before; left-wing parties participate actively in politics at national and local levels, and civil society has been relatively empowered. The popularity of the guerrilla movements has also waned because of their appalling human rights record and links with narcotics. An example of this was the watershed gesture by union leaders, NGOs and left-wing politicians, who harshly condemned the FARC's bomb attack at El Nopal club in 2003, as well as the donations to FARC by the Danish NGO Rebellion in 2004.¹³

FARC, ELN and the paramilitary have also suffered unprecedented waves of desertion. Since 2002, more than 9,280 combatants have left their groups to join the Ministry of Interior's widely advertised Disarmament, Demobilisation and Reintegration (DDR) programme. In addition, some 23,346 paramilitary collectively demobilised in 2005-06 after negotiations with the Uribe government.¹⁴ Colombia has previous experience with reintegrating former combatants – five guerrilla groups totaling about 5,000 combatants were reintegrated after peace negotiations in the early 1990s – but the government is now having difficulties.

Demobilising the paramilitaries has been a difficult and frustrating process. These combatants engaged in particularly horrific massacres against rural populations and were more closely linked than other armed groups to the narcotics industry. Therefore, some Colombians regard the terms under which they were allowed to demobilise, inscribed in the 2005 Justice and Peace Law, as too lenient. The fact that it was the current administration, which is widely sympathetic to right-wing thinking, which struck the deal also raised concerns. On the other hand, a stricter law might have failed to convince paramilitary leaders to disengage. Colombia has tried hard to balance the issues of justice and order, but the fact remains that the power and influence of the paramilitaries have not disappeared with their formal demobilisation. Many leaders are connected with local politicians and businesses, and former combatants have mutated into mafia-style groups.¹⁵

Overall, the government's security policies have brought greater safety to several regions in the country, but the lenient terms of paramilitary demobilisation and the armed forces' emphasis on counter-insurgency have been strongly criticised by local and international NGOs, the Colombian left, progressives in Europe and the US, as well as UN agencies. Beneath the controversy, fundamental disagreements exist in Colombia and internationally on the nature of the conflict and whether poverty, inequality and class-based discrimination might lie at the heart of the problem. Uribe's alliance with the US in the wars against drugs and terrorism also causes irritation. The Colombian president, however, enjoys a 70 percent approval rating and, at the time of going to print, was still the candidate thought most likely to win the 2006 elections, having garnered enough support in Congress to change the constitution and allow him to stand for re-election.

The private sector and peace in Colombia

From the start of the conflict until the late 1990s, the private sector was generally absent from the politics of peace. This coincided with a period when the conflict was relatively contained and largely manifested itself in remote rural areas where few businesses had a presence. The conflict had little or no impact on growth and foreign investment, and the private sector was able to develop, along with industry,

manufacturing and the services sector. Consequently, as many business leaders admit today, the private sector had no compelling reason to mobilise in favour of ending the conflict, whether through a peace agreement involving fundamental social reforms or a stronger military campaign. This attitude was embedded in a specific constellation of ideas regarding the nature and roles of government, private sector and civil society. For instance, there were fewer expectations at the time that business had any particular responsibility in promoting the public good, and conflict and peace were viewed as strictly state affairs. During the Betancur administration (1982-86), only a handful of business leaders attended peace talks – and when they did it was often as a result of the personal commitment of a few and their solidarity with the president, who specifically requested their advice.¹⁶ The private sector played no significant role during the peace processes that led to the demobilisation of the M-19 armed group, along with others, between 1989-94.¹⁷

Business interest in public policy and political issues became noticeable in Colombia during the Samper administration (1994-98). This was mostly due to the unprecedented political crisis that affected the country and key business interests at the time. Links between Samper and the Cali drug mafia had been uncovered and the President and many of his closest collaborators underwent legal investigations that triggered bitter power struggles between the judiciary, Congress and the executive. The scandal prompted diplomatic tensions with the US, which threatened to impose economic sanctions unless Samper delivered significant results in the war against drug trafficking. Business associations lobbied in Bogotá and Washington to ease US-Colombia tensions and to avoid any negative impact on trade. Afterwards, business association leaders, notably from Fenalco, the national retailers' association, participated in rounds of talks with the ELN – amounting to limited participation in a failed process.

The domestic and external crises undermined the government's legitimacy and capacity to manage the challenges posed by the escalation of conflict. War-related violence intensified; the presence of armed groups increased in cities; and guerrillas and paramilitaries targeted more businesses and people to raise funds through extortion and kidnapping. From 1996-2003, 20,700 persons were kidnapped, of whom 22.5 percent were business owners or those who worked in the industrial sector.¹⁸ Furthermore, the historically stable economy suffered an unprecedented recession, from 1996-99. A heightened perception of insecurity emerged among businesses and Colombia's poor economic performance was partly blamed on the escalation of the conflict. This triggered a change in attitude among several business leaders, who began to realise in a general sense that something had to be done on several fronts, including armed conflict.

The first signs of private sector peace activism emerged as part of the Citizen Mandate for Peace, Life and Freedom, a civil society initiative against conflict

that garnered 10 million votes in an unofficial poll on 26 October 1997. Encouraged by the success of the movement, business associations led efforts to resume contacts with guerrilla groups in search of a negotiated solution to the conflict. Beginning in 1998, private sector associations established contacts with imprisoned leaders of the ELN. Subsequent meetings between ELN and civil society organisations led to the signing of a good-will accord asserting a commitment to seeking a solution to conflict.

Afterwards, the election of Pastrana in August 1998 opened the door for new peace talks with FARC as well as meaningful private sector engagement in the peace process. For the government, private sector backing of the peace talks and an eventual peace process was crucial since it expected business both to provide funding and to agree to reforms on labour, land tenure and taxation issues. FARC had also expressed its interest in having large Colombian businesses at the negotiating table. For the illegal armed group, such businesses (the owners of capital) were a key pillar of power in society and hence a determinant factor in achieving deep, 'structural' changes. Pastrana thus invited the private sector to formally participate in the talks through a seat in the government's negotiating team.

Business support to peace talks during the Pastrana administration

The Pastrana government named a High Peace Commissioner and a small negotiating team to lead contacts with FARC. Nicanor Restrepo, president of the National Industry Association's (ANDI's) executive board and of Suramericana, one of the largest firms in the financial sector and part of the Grupo Empresarial Antioqueño (the leading business conglomerate in Colombia), was the first member of the business community to make part of the team. Construction businessman Pedro Gómez, former Exxon president Ramón de la Torre, and Ricardo Correa, ANDI Secretary General, successively occupied the position up to 2002.

There was no unanimity within the private sector on aspects of the peace process and thus its participation through representatives of leading firms and associations was challenged from the outset.

Manifestations of business enthusiasm also included an offer by the cattle ranchers' association to donate land as a contribution to abating conflict between landowners and peasants. The industry's association offered to finance ex-combatants to guarantee effective demobilisation. Business also agreed to support 'peace bonds,' an obligatory investment to collect revenues for social and military investment.¹⁹

One group of business leaders created a small think-tank, *Fundación Ideas para la Paz*, to assist with technical and academic know-how, obtain broader, private sector support for peace negotiations (since many businesses were ideologically opposed to Marxist guerrillas) and generally raise awareness among entrepreneurs on the need to exercise their ‘democratic citizenship’ by engaging in public affairs for the common good.²⁰ Numerous workshops and other events saw businesspeople refer to the importance of a peaceful solution to conflict and to the private sector’s responsibility in peacebuilding. At the same time, other business-led peace initiatives emerged, each with its own interpretation and usually in the form of specific projects in economic development, social reconciliation and assistance to the victims of conflict, especially displaced persons.²¹ On the other hand, notably absent from all this activity and debate, was discussion of more controversial issues, such as business connections to paramilitary groups and to drug trafficking in some regions of Colombia.

The collapse of peace talks with FARC, and perceptions that the armed group had cheated and taken advantage of Pastrana tilted the balance back in favour of using more stick and less carrot, i.e. towards a predominantly military solution to ending conflict. President Uribe, who proposed zero-tolerance to guerrilla violence and tougher security measures, was elected with a 22 percent margin over his rival in the first round of the 2002 presidential elections, a clear sign of national disenchantment with the leniency of Pastrana’s strategy. Business has since been encouraged by the Uribe administration to contribute higher taxes to the war effort, which has seen Colombia’s national defence budget reach an unprecedented high of 4.5 percent of GDP.

Despite the roll-back from late-1990s’ enthusiasm for a peace process, peace-related initiatives with private sector participation have continued. More businesses – and not just large groups with developed philanthropic strategies – have joined different types of programmes that target poverty, inequality, social exclusion and institutional weakness. Others are promoting human rights and democratic values; creating job opportunities for war widows, displaced persons, former combatants, handicapped soldiers and youth in danger of being recruited by armed groups; or helping to replace coca with legal produce. The private sector is involved in ‘Peace Labs’ and some of the Peace and Development programmes across the country, and in illegal crop substitution through agricultural projects funded by the US Agency for International Development (USAID). The Grupo Empresarial Antioqueño has structured a regional response to the reintegration of former combatants articulating the work of local authorities, national level policies and NGOs. The work carried out with IDPs by major corporate-funded foundations, such as Corona, Carvajal, Santo Domingo, and Restrepo Barco are also strong examples. Many more exist though it was beyond the scope of this research to conduct a systematic national survey in order to identify all of these.

Factors affecting business peacebuilding initiatives

No one single factor determines businesses willingness to engage in peacebuilding. Clearly, conflict costs are one incentive. In Colombia, the escalation of conflict and a sense of generalised economic and social deterioration prompted leading businesses to engage more actively in the politics of peace, and during the Pastrana administration specifically to support a peace process as such. However, two other factors have contributed to the continuation of business interest in different peace-related initiatives into the 21st century.

The first is the increased engagement of international donors in Colombia. According to the Colombian Agency for International Cooperation, Colombia received \$86.43 million in bilateral and multilateral aid in 1998. By 2003, it had more than tripled to \$294 million.²² Donors have made significant amounts of funding for peace projects available, for which private sector participation has been sought both for co-funding and management expertise. Under former head of mission Alfredo Witschi, for example, the UNDP actively sought private sector collaboration from 2002-05 in a range of projects across the country. In 2004, a US Government Accountability Office report on alternative development in Colombia concluded that private sector involvement was necessary to guarantee the sustainability of many projects.²³ The US Embassy in Bogotá helped to raise awareness among Colombian businesses on the need to engage more directly in the reintegration of paramilitaries and guerrillas. The donor-supported Peace Labs, which will be discussed in further detail below, all include strong private sector participation.

The other factor has been growing adherence to corporate social responsibility (CSR) norms, that have directed companies' attention towards conflict prevention and peace issues.²⁴ Since the late 1990s Colombian companies have increasingly set up CSR-related activities at the same time as integrating ethical policies into their management practices. International influence (progressive multinationals, NGO advocacy, the UN Global Compact) has been key in getting more businesses in Colombia attuned with CSR.

In conclusion, businesses' support for Uribe's security policies has been accompanied by engagement in peace-related, social projects. It is not uncommon in Colombia to find companies that support stronger security measures (and an end to conflict through military means) at the same time as being actively involved in social entrepreneurship that seeks to address the root or proximate causes of conflict. Some may argue that the above examples are worthy actions, but might fall short of tackling the 'big' issues of conflict resolution, as well as certain 'bad practices' that have fuelled grievances. These include the private sector's historical animosity towards unions and freedom of association; the support by some landowners and

ranchers to the paramilitary forces; undue lobbying in Congress to influence sectoral policies that are not in the wider public interest; turning a blind eye to drug trafficking and money laundering; ideological intolerance; and tacit endorsement of a restrictive class system. Others understand a pro-peace approach by business as exclusively favoring a peaceful settlement with FARC and opposing a military response and therefore disregard the political relevance and impact of the new wave of peace-driven CSR.

Private sector responses to peace and conflict, as will be discussed below, are not necessarily coherent. In part, this has to do with the nature of the challenges posed by armed conflict. As one clergyman working with businesses in Colombia revealed when interviewed as part of this research, the reality can be very complex: “Often businesses worship God and the devil at the same time.” This means that they may covertly strike arrangements with, or pay ‘protection fees’ to, guerrilla or paramilitary forces for short-term benefit, while supporting the state in its quest to defeat the groups and helping local communities mitigate their grievances. Nevertheless, the more detailed case studies presented below show private sector’s potential contribution to peace in Colombia.

Conflict costs to business

A brief review of the challenges posed to business operating in the midst of Colombia’s conflicts helps shed light on the range of possible obstacles to obtaining greater commitment and support from the private sector for peace. Though the direct costs of conflict have never been measured, testimony suggests that most businesses, whether in large cities or small, rural towns, have been affected in one way or another by attacks on roads, bridges, power-lines, pipelines, public transport, state buildings, police stations and stores. Threats by illegal armed groups and their influence on local authorities and politics, which can affect how local markets behave, also hinder companies.

Typically, large firms can afford to pay for private security and insurance, or have access to guaranteed public protection for top managers and assets through extraordinary contributions to local police and military units. Medium and small companies are more vulnerable. Kidnapping and extortion – with the latter used as a means of fending off kidnapping – are the main direct costs. Extortion, whether by guerrillas or paramilitaries, is a well-developed activity, with its own rules and routines. Payments are negotiated depending on the size of a business. In a small city, payments can range from \$40-425 per month. Payments from large landowners are determined according to the size of the estate and the type of products they produce; cattle ranchers may pay \$10 per hectare per month. Money is collected daily, weekly or monthly, which means that businesses are constantly monitored, and punished if they fail to

‘cooperate’. The terror is such that people give in to extortion even if the perpetrators are not physically at the door. Payments can be arranged by telephone.

Apart from the economic and emotional consequences of these crimes, victims who surrender to extortion may face further dilemmas, as a small merchant harassed by FARC in Huila revealed. “At first, FARC members come to a shop demanding protection money. For a while, the owner pays his fees in cash, anywhere from 5-10 percent of his earnings, but soon the financial burden is too high. He then offers contributions in kind and asks FARC for help to sell his products. As time passes, the relationship is transformed. The guerrilla group becomes a ‘good business connection’, one that offers new clients to the shop-owner in return for ‘friendship’ and ‘support’, meaning occasional donations and useful information about what goes on in town. If the shop-owner fails to deliver, FARC kills him. Some simply get caught in this dynamic and become part of FARC’s support network.” A similar situation occurs with paramilitaries in their zones of influence.

Under such circumstances, collective action to counter the pressure from illegal armed groups is difficult. Years of war have eroded social capital and there is profound distrust between people. “You never know who’s who,” said one small businessman. In addition, there is no local consensus on whether businesses that do pay are victims, war profiteers or supporters of illegal armed groups. Moreover, most businesses do not inform the local authorities, either because they distrust the public security forces or perceive them as inefficient in conducting proper investigations. According to some testimonies, small and medium businesses in urban areas pay private security in some cases: ‘to make sure businesses in the neighbourhood pay their extortion fees in order to prevent possible bomb attacks that could affect them all’.

As these experiences demonstrate, there is room for improvement in private sector behaviour. At the same time – while there has to date not been a repeat of the effort under Pastrana to engage in high-level peace lobbying on the part of Colombian business – the significance of growing involvement by businesses in specific peacebuilding projects should not be underestimated. Many of these projects, usually based on concerted efforts to contribute locally to economic development, have also become opportunities for cultural transformation inside firms. The emergence of more progressive understanding about socio-economic issues, as well as business engaging in trust-building with NGOs and social organisations that were traditionally perceived as ‘enemies from the left’, are all important developments.

The following section describes in detail some of these emerging peace initiatives. Each highlights a particular feature of private sector engagement, including its motivations and incentives, ideas and understandings on conflict and peace, its interaction with other actors and the nature of the projects carried out.

ISA, Prodepaz and the Peace and Development Programmes (PDP)

Interconexión Eléctrica S.A. (ISA) is the largest electricity transporter in Colombia and one of its most successful, homegrown enterprises. It used to be state-owned and today is partly private. It has seven subsidiaries, international operations and can sell over-the-counter stocks in the US. ISA is also one of the companies that has suffered the most guerrilla attacks in Colombia. Energy pylons have been bombed more than 1,200 times since 1999. Colombia's escalation in violence was one factor that drove the company to reflect more deeply about armed conflict, the possibility of having a sustainable business in such an unstable environment and the need to focus its social programmes in order to contribute towards long-term peace. One outcome was ISA's initiative to create the *Programa de Desarrollo para la Paz* (Prodepaz), a regional peace and development programme (PDP). Since then, ISA's policy has been to support the other 19 PDPs in the country and to convince other companies to do the same.

Ideas and incentives behind ISA's engagement

ISA was familiar with conflict issues when it created Prodepaz. The construction of large hydroelectric projects in eastern Antioquia in the 1960s and 1970s involved the relocation of entire villages, sparking deep social tension. Companies lacked experience on resettlement and impact prevention and mitigation. According to local history, as conveyed by two former mayors, civic movements and grassroots organisations emerged to demand better compensation packages and reduced electricity rates. "Hectares of forest were destroyed," said one. "Besides, if the water was ours, why did we have to pay as much as the rest of country?" Later on armed groups took advantage of local grievances and sought to win civic movements over. Then, 'many of the grassroots leaders were assassinated', which they believed changed the course of events. "In a way, it thwarted the development of non-violent social movements in Antioquia since people learned that peaceful opposition and mobilisation were doomed to be blocked, it was then that guerrillas increased their influence in eastern Antioquia. First came the Carlos Alirio Buitrago Front of the ELN. FARC and the drug traffickers arrived in the late 1980s. And the paramilitaries came in the 1990s."

This early experience with social conflict encouraged the company to transform its practices, develop relocation protocols, social and environmental impact methodologies and adopt a more regional-oriented perspective of its effects. These were incorporated in national regulation. However, the escalation of armed conflict overwhelmed existing company capacities. The situation in eastern Antioquia

worsened in 1997, when paramilitaries massacred 14 people in El Carmen de Viboral and forced civilians in several municipalities out of their homes; FARC sabotaged the local elections to prevent paramilitary influence; and ELN kidnapped election-monitoring officials sent by the Organization of American States (OAS). Extortion, selective assassination and displacement severely increased after territorial disputes between the three groups, and the guerrillas stepped up kidnapping and attacks against the electricity grid.²⁵ The blowing-up of pylons emerged as a guerrilla tactic to hit state finances, distract and wear down the military forces, and to pressure civilians to support peace negotiations on terms favourable to the guerrillas.

“There was a sense of crisis,” said an ISA spokesman. “The nature of our business binds us to the territory over the long term. We cannot go away or move. Besides, we provide a vital service, important both to the state and the people. We had to do something that could bring long-term stability and sustainable peace; a quick fix would not suffice.” ISA also had a well-established community affairs programme – the result of its past learning – and was seeking to improve its impact “We were very worried with the situation in Antioquia. People were paying the toll of war, and we were troubled because our social programmes weren’t having the results we expected.” According to ISA, both factors motivated a strategy review.

Other processes helped too. “Something that pointed us into a new direction was our realisation, when working on a specific project with ISAGEN, an energy supplier that splintered from ISA in 1995, and Empresa Públicas de Medellín that the conventional approaches shaping our framework for relations with local communities, such as the usual environmental and social impact assessments, were not appropriate for dealing with the complexities of armed conflict.”²⁶ Risk management had to include prevention strategies to target the root causes of conflict, not just short-term mitigation plans. ISA – helped in part by its corporate culture, good understanding of the conflict, and commitment at a senior level to addressing these issues – became convinced that the company should be investing in Peace and Development Programmes (PDPs), whereby community relations and social investment are directed entirely towards addressing root causes of conflict. PDPs are long-term macro-projects with multiple components (economic development, environmental protection, strengthening of institutions, civil society empowerment, the promotion of a peace culture, and education, health and housing) and implemented in several municipalities at the same time.

Learning about the private sector’s value through social entrepreneurship

At the outset ISA staff had a general idea of what they wanted: a ‘large’ programme that addressed what they believed were the root causes of conflict (poverty, lack of

social capital) and its triggering factors (unemployment); and other partners to ‘chip-in’ financial support, political backing or technical know-how. They also wanted to generate local ownership and greater awareness of peace issues among other companies. The company was able to enrol ISAGEN and the Sonsón Dioceses. Historically, the Catholic Church has a strong influence in Antioquia and ISA believed having the Dioceses on board gave greater legitimacy. In addition, the Dioceses had been active in conflict prevention and peacebuilding through assisting IDPs and seeking local peace arrangements (of all actors in Colombian society, only the Church enjoys the ‘political licence’ to approach all sides of the conflict for humanitarian purposes).

The next step was to research and learn from similar experiences. The partners visited the pioneering Magdalena Medio PDP (MM-PDP), which had become a social intervention ‘model’ for international donors (leading the EU, for instance, to adapt its country strategy based on the MM-PDP). The trip was critical in shaping ISA and its partners’ own version of a PDP. The group noticed that while the MM-PDP was strong on peace promotion, it was weak on generating sustainable job opportunities. This was an important shortcoming, since addressing underemployment, as a root conflict cause, was necessary to working successfully on other issues, such as peace culture. In order to succeed, the partners concluded, their PDP would have to have active private sector participation. “After all, they are the ones who know how to set up businesses, they know the market and have the capital to invest,” remarked the Dioceses priest.

ISA was well aware that beneficiaries needed to have ownership over projects. “It is counterproductive to step in and do everything for them. The idea is for local communities to develop skills, become self-sufficient and learn to participate in a peaceful and democratic manner,” said one employee. With this in mind, the Dioceses, ISA and ISAGEN returned to Medellín, invited others partners, like Corporación Empresarial del Oriente and Pro-Antioquia to join the core group, and officially formed Prodepaz in September 1999, to take forward implementation of the programme.²⁷

Prodepaz

Prodepaz has operated since 1999, benefiting around 2,380 families in 28 municipalities. Today, its main activities include participating in project formulation and implementation, and promoting local and regional participation in development planning. In addition, Prodepaz is in charge of:

- Maintaining the *Sistema de Información Regional para la Paz* database, which contains basic demographic and economic data that help identify projects, beneficiaries as well as other potential partner organisations, including private sector companies

- Providing technical assistance in entrepreneurship, community-level development and project monitoring and accountability
- Financing and assisting business-development projects. Currently it is working on three core projects: Coser, a garment factory (\$108,124); Proyecto Panelero, a sugar and honey factory (\$81,064); and Hortalizas, a vegetable farm (\$20,170).

More than \$33 million has been invested in the activities, including Prodepaz's contribution (23 percent), community support (13 percent), local municipalities (14 percent), and private sector and international cooperation (50 percent). ISA has contributed \$3.9 million to social programmes in Colombia, of which \$1.2 million has gone to Prodepaz.²⁸

Success in terms of bringing absolute or relative peace is difficult to measure for many reasons. First, while armed conflict dynamics differ from region to region, it is also a national phenomenon; so as long as illegal groups keep on fighting, there can be no absolute peace. Second, PDPs aim mostly at addressing the structural causes of conflict, which means their results can only be seen in the long term and may be contingent on other factors. Bearing that in mind, Prodepaz projects have had important effects, such as visible improvement of livelihoods for vulnerable, local populations and the creation of a new socio-economic model of development that aims towards social empowerment and a change of structures in order to guarantee project sustainability.

Prodepaz and the Peace Lab

Another Prodepaz achievement was to host one of the EU's Peace Labs. The first EU Peace Lab was launched in 2002 to support the MM-PDP. Afterwards, the EU adjusted its strategy to channel aid through such social intervention models with the underlying assumption that poverty and inequality were key causes of the conflict, and therefore that ending the war and forging sustainable peace required a strong social component, as opposed to an exclusively military strategy. A total of \$50.6 million, of which 82 percent came from the EU, was invested over five years in several small projects, benefiting 29 municipalities in the departments of Bolívar, Antioquia, Santander and Cesar.

The purpose of the Peace Lab is to use an alternative development model directed towards strengthening local and regional institutions, as well as working with civil society to protect people from armed conflict. This created a mechanism to transmit good governance and counteract the violence. Peace Lab II was approved in 2005 and involves three clusters of projects, one in eastern Antioquia led by Prodepaz, and the other two in Norte de Santander and Macizo Colombiano (in the departments of Cauca and Nariño, respectively). Funds of \$39.6 million will be invested over three years. Peace Lab III is currently under preparation for Montes de María and Meta regions, with EU funding of \$28.8 million.

Aligning business and peace agendas: CEA, UNDP and rural development

Compañía Envasadora del Atlántico (CEA) is a family-owned company in the food and canning industry founded in 1982. CEA grew substantially in the 1990s and today exports 500 containers of fruit pulp to 39 countries around the world. In 2001, the company decided to produce passion-fruit pulp due to high demand from international clients. This involved a series of challenges because of small growers' low level of training and the political economy of the conflict. Finding farmers willing to grow the fruit was difficult because lands in the coastal region were being used to plant coca. Additionally, farmers who were interested in becoming providers needed to obtain credit, meet a specific number of technical requirements and commit to delivering the needed tonnage on time. This involved an investment of CEA's time and money in talking to farmers and training them in agricultural techniques and business skills. The conflict also posed security problems since both CEA and the contracting farmers could become targets of guerrilla and paramilitary harassment. The presence of armed groups in the coastal regions has increased over the years due to their importance in the drugs and arms trafficking routes.

Since 2003, CEA has helped to create agri-business associations in vulnerable areas that have been, or could become, sites for narcotics production, thereby feeding the drug trade, illegal armed groups and the conflict. It is clear that their motivation in peacebuilding in this sense has been as much about concrete business opportunities in the short term, with an eye to the international passion fruit market, as other considerations. Expectations that it may benefit from profitable peace projects in future, sponsored by international donors, might also have influenced the company's calculations. Activities that are directly connected to company interests may receive greater attention from company executives and appear to be more stable, but since they depend on market fluctuations they can also be unstable. So far, CEA has remained faithful to most of its commitments.

Partnering with international donors

International 'conflict-aid', in the form of multilateral, bilateral and foreign NGO assistance for socio-economic development and peacebuilding, is much more readily available now than in the past. CEA approached UNDP and received a proposal to work together on an illegal crop prevention project that complemented the company's business interests. UNDP's objective was to foster legal economic development, involving private companies, which would have an impact on conflict by creating alternative livelihoods for farmers who had been lured into the drug trade. UNDP had designed a programme that offered growers training on how to organise in associations with the goal of maximising their

profits and promoting social capital; workshops on business skills; and a guaranteed buyer of their produce over a number of years. CEA saw an opportunity to develop what it needed: a stable supply of passion fruit produced by growers with adequate technical and associative skills. CEA identified another benefit from partnering with UNDP. Widespread corruption, lack of state presence and the distrust spawned by decades of armed conflict made it difficult for the company to interact with local communities. CEA believed that it could use the UNDP's good reputation to build trust between the company, growers and local communities. CEA invited UNDP to act as a fiduciary and to administer the loans made to the associations. An agreement was signed between CEA and UNDP in June 2003 that provided for the planting of 1,483 hectares in 24 municipalities in five departments in northern Colombia – Cesar, Guajira, Córdoba, Sucre and Magdalena – which, it was estimated, would provide direct employment to 813 families.

Besides working as a 'window of transparency' for all actors, the cooperation with UNDP was expected to facilitate the raising of additional donor funding. In June 2004, a local USAID sub-contractor agreed to join the project and began providing CEA with additional resources in the form of technical assistance, processing plant design and managerial services.

Recently, the Office of the High Commissioner for Peace approached CEA with a view to exploring ways to develop similar productive projects involving reintegrated members of illegal armed groups. Another potential spin-off is the installation of the third EU-sponsored Peace Lab in the Montes de María sub-region in the department of Córdoba. CEA is one of many companies involved in the provision of the 'productive' component of the Peace Lab initiative.

Not all CEA and UNDP efforts to create grower associations have worked. In the northern department of La Guajira, growers simply abandoned the project, according to CEA's projects coordinator. "They were never disciplined enough and were too connected to the easy life of contraband. Some shifted to tobacco when a company came and offered them more money." By contrast, the association of San Antonio Sahagún, in Córdoba, has been a real success.

San Antonio Sahagún

San Antonio Sahagún is a small village in eastern Córdoba, birthplace of the leading AUC bloc and a region strongly marked by drug trafficking. Sahagún, however, is relatively quiet. While the armed forces and police are well regarded, local government is largely absent. Few can point to good works performed by previous administrations. Judicial disputes are settled through negotiated

agreements overseen by the police, as a way of sidestepping judicial inefficiency and in response to the community solidarity that exists. It is possible that paramilitary dominance in the region may have contributed to this local 'order'. "If someone commits a burglary," said a local farmer, "the 'paras' warn him not to do it. They tell him this behaviour is not accepted within the community, and will offer to help him find a job. If he steals again, he receives another, more pressing warning. The third time, he can get killed. This hasn't happened very often in Sahagún though."

Before CEA's arrival on the scene, clients for the region's passion fruit were limited to a few local farmers and sporadic visits by larger buyers. In most cases, transactions between farmers and buyers depended on an intermediary who would reap most of the profit. In time, growers realised that they would not gain access to better prices, stable buyers and bank loans by working alone. They began to form a passion-fruit producers' association. So when CEA and UNDP arrived with their proposed project, local growers were receptive. The small, informal association was transformed into a larger, formal organisation, which was legally registered as Pazcoop (short for 'peace cooperative') in the chamber of commerce. For several months, UNDP trained Pazcoop's 120 growers on how to run an association, democracy and conflict resolution, in compliance with its mandate to foster peaceful development in zones of conflict through community work. Later, CEA and Pazcoop signed a three-year contract in which CEA agreed not to buy passion fruit from growers who were not Pazcoop members, while the association would provide 2,800 tonnes of fruit a year within a guaranteed price range.

In general terms, the project has worked well. But CEA and Pazcoop have recently encountered problems of mutual non-compliance that suggest that market forces may eventually jeopardise the agreement. In August 2005, CEA discovered that a local grower had lied about his production in order to supply a rival buyer who had offered a higher price, while Pazcoop learned of a parallel transaction between CEA and a Pazcoop member outside the framework agreement, circumventing Pazcoop rates. Last September the parties met in Sahagún to settle the issue. "If such problems start recurring, the association might start to suffer from a credibility crisis," warned Pazcoop's manager. "I needed the fruit pretty quickly," responded the CEA representative, "but I understand your point." The assembly lasted two hours and CEA and Pazcoop are keen to maintain their agreement and to avoid future defections. CEA offered an improved assistance package for more hectares and a facilitator to sort out differences between Pazcoop members. However, the defections could happen again if CEA decides to expand its passion-fruit exports or if occasional buyers show up and try to alter Pazcoop's existing price agreement.

Enlisting private sector support to IDPs

International donors are not the only actors encouraging business to support peace-related work. The *Alianzas Red* (Network Alliance) office in the government's *Acción Social* (Social Engagement) programme, for example, is a leading actor in pursuing private-public collaborations that focus on projects to assist and reintegrate IDPs. Businesses have been visibly more willing to collaborate with the government in projects to assist IDPs than to reintegrate demobilised combatants from the FARC, ELN or AUC. Some business leaders claim they are not disinterested, but that they expect government to present structured plans and indicate exactly what companies are expected to do.²⁹

Alianzas Red: partnering with business to support IDPs

Internal displacement is one of the gravest consequences of Colombia's conflict. In 2003, it was estimated that there have been over 3.1 million victims in the previous two decades,³⁰ and recent reports indicate that numbers are still rising.³¹ In 2005, following criticism by NGOs, the government signed a special decree to demonstrate the seriousness of its commitment to protecting IDPs and prevent further displacement.³² *Alianzas Red* (AR) is one of the offices now devoted to the issue, and was created in 2001 with funds donated by the Japanese Social Development Fund through the World Bank, and with technical assistance from UNDP, which administers the programme's finances. AR's mission is to build alliances between public and private sectors, and local communities and international donors to create employment opportunities for IDPs. The project, stresses Maria Lucía Vallejo, coordinator since January 2005, was conceived as a 'demonstrative' experience. Its main purpose was not only to get displaced people back to work, but to develop a methodology for alliance building that could later be replicated in other places facing similar problems.

A total of 22 projects have been implemented since June 2003, benefiting around 5,750 families (23,995 persons) in Bogotá, Soacha, Cali, Medellín and Barranquilla, the main 'destination' cities for displaced people; and in Rionegro province in Cundinamarca, the municipalities of La Palma and El Peñón, Cali, 14 municipalities in eastern Antioquia and Ciénaga Grande de Santa Marta, the main sources of IDPs. Four basic strategies were designed:

- Strengthen existing associated businesses that seek to build alliances between public and private organisations in order to foster associative businesses where displaced persons could find work. Initial training of IDPs is the responsibility of the businesses involved. This strategy includes support for IDPs' readjustment to a labour environment, technical

qualification, purchase of machinery, adjustment of facilities and support during training.

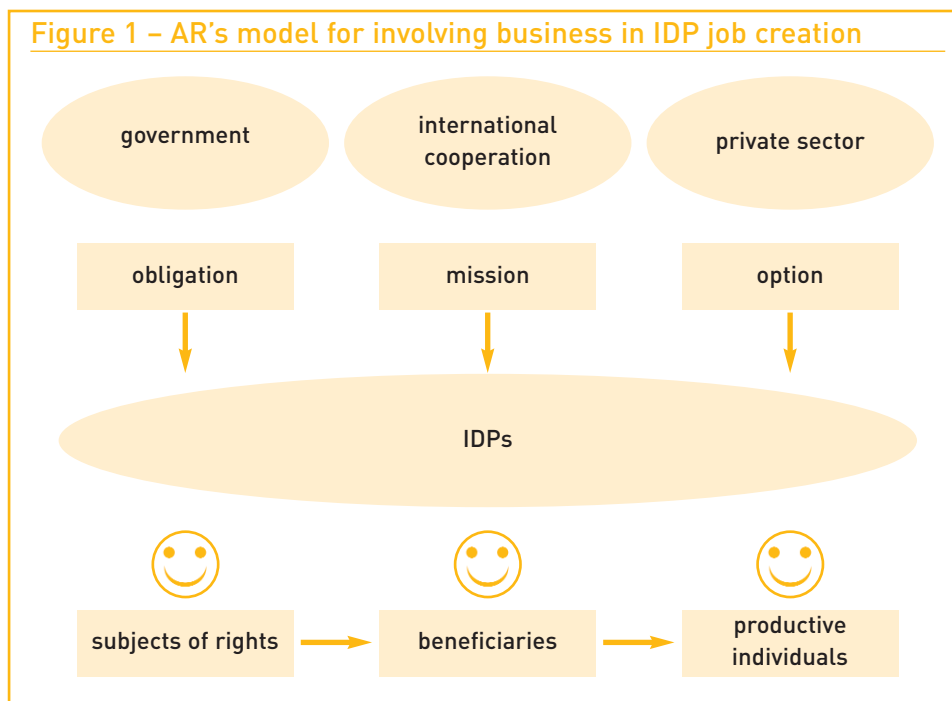
- Involve displaced persons in public projects, particularly infrastructure, through affirmative action with positive discrimination clauses under which tenders for state contracts must include a minimum quota of IDPs (10-15 percent). Free training agreements are signed with organisations working in social entrepreneurship. The strategy includes support for readjustment to the labour force, occupational orientation and technical qualification.
- Build alliances with urban private sector companies to encourage them either to hire IDPs or to fund an economic development project that can provide jobs to IDPs on a large scale, accompanied by training (psycho-social aid included) and allowances during the training phase.
- Create rural economic development projects based on agreements between the private sector, regional governmental agencies and local communities through agro-industrial associative alternatives, food security, technical qualification and social infrastructure improvement.

AR's main task is to find companies willing to support projects. "The idea of CSR is not widespread," explained Vallejo, "so I quickly learned I couldn't appeal to CSR notions to get their collaboration. You have to talk hard to them – show them figures, prove that you know more about their businesses than they do - otherwise they won't buy it." Consequently, AR developed a graphic (see figure), which is shown to every company lobbied. It is a visual explanation of the responsibilities and roles of each actor involved with IDPs, including government, international donors and the private sector. IDPs are portrayed to companies as *potentially productive individuals* who can be integrated in their corporate structures. Another issue addressed with companies is profitability. Vallejo says that each time she talks with executives, she has to explain how participation does not lead to losses since the financial sustainability of projects must be secured from the beginning, mainly through feasibility studies. Thanks to this scheme of negotiation, on average, the private sector's contribution to projects is up to 70 percent.

In the first phase, AR had to provide tangible benefits as incentives for companies. In some projects, it provided the human and financial resources for the training period; others were offered new machinery. The number and type of companies approached varied, depending on which company best fit the programme needs.

Companies are typically concerned with security. Since some projects are in violent areas, defining roles and ensuring companies do not embark on tasks with which they are unfamiliar is vital, as is limiting the paperwork and bureaucratic obligations.

Figure 1 – AR’s model for involving business in IDP job creation



AR usually offers to set everything up so as to minimise the time invested by companies and their managers. It advises businesses of the good publicity they can expect, how it will increase demand and improve their relations with local communities. If companies are still hesitant, AR adopts a different tactic. Depending on the project, some companies complain about the costs. “That’s when we really need to get tough with them,” says Vallejo. “We have to make them see that if they don’t chip in, things as they are – conflict and social unrest – won’t change; the situation will worsen. We ask them questions, like: ‘Do you feel it is right to have to ship away your kids to school so they don’t get kidnapped?’ Or: ‘Do you want to continue to feel constrained from getting out of the cities because there’s a war going on out there?’”

In terms of private sector solidarity, regional differences are noteworthy. For example, in regions such as Antioquia, one of the richest in the country and well known for its strong social capital, it is easier to engage private sector companies in social projects. Working with private universities is also fruitful, especially through internships or research agreements.

Another challenge has been to change the attitudes of displaced communities, who must go from regarding themselves as passive entities entitled to care and protection, to an image of themselves as productive individuals with some responsibility in the projects and an interest in their own social improvement.

The duty-free zone of Barranquilla

One private group that engaged in a project with *Alianzas Red* was the duty-free zone of Barranquilla, a coastal city in the north. Duty-free zones (DFZs) enjoy special customs, fiscal and exchange regimes, devoted to fostering the industrialisation of goods and the provision of services for the export market. The Barranquilla DFZ is a conglomerate of 92 companies from many sectors.

According to the project coordinator at the Barranquilla DFZ, it was just one of many companies in the city approached by AR. “Many others turned them down,” she admits. There is a successful alliance between the AR programme and nine textile companies in the DFZ, with the help of the Cooperative Housing Foundation (CHF) and a local NGO, *Corporación Dominicana Opción Vida, Justicia y Paz*. “When the local AR team approached our company, our president thought it was ‘interesting’, but didn’t quite know what to make of it, or how to give it a proper start-up.” The project coordinator stresses that the president’s interest was not based entirely on what he heard during the AR presentation. “He had gone to Asia, either Japan or China, and had heard of a similar entrepreneurial exercise with excellent results. That’s why the alliance with AR rang a bell with him.” In her opinion, it also had to do with personality. “He’s a young enthusiast, a visionary of great charisma,” she said.

Together they created a year-long project, Dreamweavers, whose aim was to reintegrate displaced persons from the area, train them and employ them in *maquila* garment factories. Around 600 persons, mostly young women or single mothers, aged 18-35, responded to the initial call. They underwent a rigorous 60-day selection process and were provided with sophisticated social and psychological adjustment. In the end around 240 made the final cut and were given steady jobs. The nine companies signed a commitment with AR that guaranteed that 80 percent of the people who were trained would receive year-long contracts with full benefits and insurance. Some would remain with the company after that year, although job stability typically depends on the cyclical nature of the business.

The experience defined the DFZ in a positive way and changed its approach to CSR. It recently created the *Fundación Zona Franca de Barranquilla*, which will be devoted to replicating similar types of project.

The chambers’ ‘Businesses for Peace’ programme

For many years Colombia’s scholars and politicians have debated whether poverty and inequality are the key, structural underlying factors of conflict in Colombia. In the 1980s and 1990s, the predominant view was that they had nothing to do with

the violence and that drug trafficking was the root of Colombia's problems. There is much at stake in the debate since it raises political questions such as whether policies of fundamental redistribution – for example, of land – should be implemented to address the source of conflict, and how to treat guerrillas if it is true that they had 'legitimate' reasons for fighting.

The debate has not been resolved, but many Colombians agree that sustainable peace cannot be attained without first alleviating poverty and increasing economic development. Lack of employment, for instance, has been a consistent element in the peacebuilding experiences registered in this study. The chambers' *Empresas por la Paz* (Businesses for Peace) project provides an insight into the issue by addressing micro-level aspects of the debate and suggesting further that micro-dynamics among individuals are part of macro-level phenomena, such as armed conflict.

Empresas por la Paz

Confecámaras, the national confederation of chambers of commerce, carried out the *Empresas por la Paz* programme from 2003-04 with financial support from USAID through the International Organization for Migration (IOM), which provided \$46,077,³³ with local chambers contributing in kind for specific events. It sought to foster the creation of scenarios for sustainable peace through 'social reintegration projects' based on two main components: peaceful conflict-resolution at the micro-level (families and the workplace) and entrepreneurship. The project was a spin-off from a previous joint effort between *Confecámaras*, IOM and others that focused on developing pedagogy for peacebuilding in three conflicted areas in Bogotá. "Thanks to this successful precedent we determined that violence and different types of conflicts begin and end with economic issues," said *Confecámaras*' coordinator of social programmes. "Our vision is that conflict isn't just 'armed conflict' (guerrilla and paramilitary), but that it all starts at the ordinary, everyday level."

An IOM official connected to the programme agrees: "You can't talk to people about peace if they don't have money for their basic needs. No theory of peace will work if people cannot pay for food or transportation." This led *Confecámaras* to design a project to break the vicious circle. In its view, with sufficient organisation, a good plan, a small amount of capital and training in conflict-resolution, sustainable businesses could emerge. These, in turn, would alleviate poverty and prevent people from participating in conflict out of material need or ideological conviction – or by becoming helpless victims of war.

Confecámaras approached IOM with a plan to identify candidates in three different cities who could formulate successful business plans. The IOM, which was interested in supporting projects that stemmed from civil society rather than

government, accepted, but suggested that the project be carried out in smaller cities and focused on poor neighbourhoods that typically receive less attention and are more vulnerable to conflict dynamics. The people who signed up to the project, around 200 per city, were mostly young women and men in their 20s. The project first trained them in on how to solve everyday conflicts peacefully through seminars, pedagogic activities and role-playing workshops. These courses were facilitated by the Bogotá chamber's Centre for Conciliation, which is dedicated to promoting peaceful conflict-solving in community contexts.

Visits were organised with executives from the few private companies supporting the project, who talked to participants about their own entrepreneurial experiences, histories, struggles and achievements. "They had to learn not to be frustrated by difficulties," said the *Confecámaras* coordinator. Alliances with the private sector were crucial. "Basically, we needed them to become godparents of this process." One criterion for participation was that companies needed to be well established in their zones of operation. In all, only 10, mostly small companies – local department stores, dairy companies, restaurants, fruit merchants and hardware shops – responded to the call. "We had to 'sell' our idea by showing them CSR as a true investment," explained the coordinator. "Basically, you tell them that not every contribution they make might be profitable for them in the short term or in a direct way, but they will trigger transformations in their environment that will bring stability and benefits in the long term."

Those that took part acknowledged later the significance of the exercise. "They realised that helping and motivating transformations within the framework of 'what *can* be done' [through entrepreneurial initiatives] wasn't just an act of philanthropy, but a more structured activity," said the coordinator. But reputational benefits were an incentive. For the chambers it was a chance to become more visible in their communities and shed their image of being 'unreachable'. For local companies the incentives were two-fold; first, increasing the number of their customers and secondly, shielding them from unwanted pressure from illegal groups thanks to their social engagement with the community.

Of the initial 200 participants per city that enrolled in the process, around 25 with a 'better sense of responsibility' and greater chances of success were chosen to continue to the final stage. They were asked to form groups and the winning group for each city was awarded \$2,100 as start-up money. Most proposals were in agro-business, but one formed a garment factory, and another a candle-making business. According to *Confecámaras*, another useful product to come out of the experience was a series of educational booklets on conflict-resolution and communitarian entrepreneurship, which have been distributed to chambers and businesses across the country.

Ideally, *Confecámaras* would have built on this experience, but follow-up and monitoring of the process and business plans, as well as replication in other places,

was not possible due to lack of funds. However, some chambers have tapped into local resources. For instance, in Popayán and Pasto, alliances were established with SENA (National Learning Service) and local universities to secure further technical or educational assistance for a few of the projects. Some of the companies involved also contributed, either by committing to buy the produce of certain projects or through donations in kind, such as hardware for agro-businesses. “In Colombia nobody invests in entrepreneurship,” concludes the coordinator. “It is extremely hard to find the money to develop business projects.” Others working with entrepreneurs say it’s the other way around. “The money’s there but the problem is finding high-quality projects worth investing in,” claimed one expert.

Private sector and DDR

As of March 2006, 32,626 men and women from FARC, ELN and paramilitary organisations had demobilised. Of these, 9,280 combatants chose to leave their groups even though a full-fledged peace negotiation was not in place. Preliminary government assessments attribute ‘individual’ desertions since 2002 to increased pressure by the armed forces; the inability of groups to ensure loyalty through ideological indoctrination; the frequent use of violence and abuse to maintain group discipline; and the fact that combatants are being offered less risky and more viable options out of uniform, mainly through government-sponsored programmes.³⁴ In addition, 23,346 paramilitaries demobilised collectively, by blocks, in 2005-06 after reaching an agreement with the Uribe administration, with another 3,000 expected to follow in 2006.

The reintegration of former combatants is an enormous challenge in Colombia.³⁵ One reason is the sheer magnitude of the phenomenon. In the early 1990s, the government reintegrated five insurgent groups and some urban militias, but they added up to only around 5,000 men and women. Today the number is significantly larger. Moreover, the fact that demobilisation occurs before a final settlement to the conflict adds a further layer of complexity. Some ex-combatants receive death threats from former comrades or adversaries; armed groups try to recruit them back into the conflict; criminal organisations try to lure them into their networks; and local communities are not welcoming. In particular, the demobilisation of paramilitary forces faces political difficulties. Some perceive the terms of the negotiation as being too soft given the groups’ appalling human rights record and connections to drug trafficking.

When this new wave of demobilisations began in 2002 the state had insufficient human or financial resources to reintegrate so many, especially since economic assistance and protection must also be extended to the families of former fighters. By the end of 2005, important adjustments had been made, but inter-institutional coordination has yet to improve.³⁶

So far the government has turned to international donors and the private sector for help with funds and technical assistance. At first response was meagre. The UN criticised the government's policy of promoting individual demobilisation on the grounds that it was not an 'instrument of peace', but a strategy by President Uribe to avoid negotiations with the FARC, which would presumably have entailed not just specific concessions, but also broader, socio-economic adjustments. The UN also had misgivings regarding the terms of negotiations with the paramilitary forces.³⁷ It refrained, therefore, from assisting DDR in Colombia as it did for example in Central America. The World Bank was also shy. A technical objection was that Colombia did not qualify as a post-conflict nation and many of the Bank's formal DDR projects could not, therefore, be implemented. Only the OAS, backed by Sweden, the Netherlands and the US, offered a verifying mission to accompany the first phase of paramilitary DDR, while the Netherlands and the IOM helped the Ministry of Interior to refine its *Programa de Reincorporación a la Vida Civil* (Programme for the Reincorporation to Civilian Life). After several debates in the US Congress and despite Democratic Party opposition to Washington's policy in Colombia, the US government also began in late 2005 to support DDR.³⁸

The private sector initially held back from helping out more vigorously. Businesses had apprehensions regarding the conduct of former combatants, who are often seen as pre-disposed to crime, and the combatants' lack of appropriate skills. Concerns were expressed that hiring former combatants will create unease among the firm's existing employees and scare clients away. Others see the possibility of sabotage or retaliation by the armed groups that remain active.³⁹ An additional impediment to mobilising private sector support for DDR was poor government management. In their view, government has not designed a concrete plan to engage the private sector and has no clear idea what it wants from businesses. Could former combatants become micro entrepreneurs? Could they be trained in a short time to compete in the labour market? How would a company contact and hire a former combatant? Would companies have any guarantees? Above all, they fear bearing the full legal and political responsibility of reintegration.

National and local authorities have begun to refine their approach in a bid to win private sector support for reintegration activities.⁴⁰ One improvement has been the design of specific schemes and proposals, such as the development of agri-businesses involving ex-combatants. The Office of the High Commissioner for Peace (OACP), which manages paramilitary reintegration jointly with the Ministry of Interior, has come up with a model to set up agri-businesses in which former combatants can work and profit as part-owners.⁴¹ The Ministry of Interior has also had positive results. It committed state contractors to hiring individually demobilised combatants in road-building projects. Firms receive financial incentives, such as tax reduction, and the cost of hiring is cheaper because the state covers social security costs.⁴²

Employment opportunities for individually demobilised combatants

The Ministry of Interior helps former combatants set up their own businesses or finds them employment opportunities. In 2005, 1,164 business projects were launched whereby each individual receives \$3,480 as seed capital. So far, more than 33 private sector companies collaborate in different ways: some charge for their services but others contribute *pro bono*. Two fiduciaries manage the monies provided to former combatants; wholesalers have agreed to train former combatants and supply their mini-markets; while other businesses are directly providing jobs. One main challenge for the Ministry has been to select 'reliable' candidates for companies willing to hire.

In Antioquia, local authorities have led a rigorous training and selection programme that has partly assuaged businesses' security concerns; the mayor of Medellín was able to secure 158 direct jobs in local firms for ex-combatants in 2005. The mayor's office relied on the IOM for assistance in planning and monitoring training and for psychological assistance programmes.⁴³

Given the trends examined in this chapter, it is likely that business collaboration in creating job opportunities for former combatants will increase. In the 1980s and 1990s, it was rare for private entrepreneurs to believe either that they should or even could play a role in DDR programmes. Many felt such activities were the state's responsibility. By contrast, businesses today consider successful DDR a national priority in which their collaboration is both essential and in their own best interests – although, invariably, business leaders still refer to public sector's lack of effective leadership in the matter.⁴⁴

Conclusions

Why private businesses engage in peacebuilding

Businesses usually behave rationally, reacting to circumstances that undermine their ability to compete in the market. However, managers of firms are also subject to incentives that favour a focus on the short term (e.g. end-of-year bonuses tied to costs reduction, meeting sales targets or finding new client accounts). For many years, the internal conflict in Colombia had little or no impact on the operations of domestic enterprises. From the 1930s to the 1980s, businesses developed according to local and national economic growth patterns, as affected by domestic regulation and world market trends. Moreover, Colombia's political, legal, institutional and economic environments were relatively stable and transparent by the standards of the developing world. As a

result, there was no compelling reason for businesses to concern themselves with conflict or with peace issues. On the contrary, their tendency to focus on short-term goals prevented any deeper reflection on the conflict's dynamics or the possibility that events would deteriorate further if they failed to engage.

Business leaders' ideas on the role of the private sector in society and the conflict reinforced inaction. In their view, it was neither the private sector's responsibility to provide security to faraway regions, nor to meddle in negotiations between the government and insurgent groups. With regard to the nature of the conflict, as members of Colombia's socio-economic elite, many private sector representatives believed that Colombia's violence had more to do with ideology and politics, topics with no bearing on their lives. It was only when the conflict dynamics and ideas on corporate citizenship changed that local businesses finally decided to engage more actively in trying to address Colombia's problems.

By the mid-1990s, the conflict had begun to impose higher costs on business operations and the economy, and businessmen and women were experiencing the consequences of violence, notably kidnapping. A threshold was finally reached and businesses, along with the rest of society, stopped thinking of the conflict as a routine phenomenon. The deterioration of the conflict took place at a time when liberal democratic norms and CSR principles had gained strength globally and in Colombia, which helped to change business leaders' ideas on their range of options. This setting made it possible for businesses to view their engagement as necessary, desirable and feasible.

Not all Colombian businesses have reached this conclusion yet. As the above cases demonstrate, specific business actors have helped to tilt the balance in decision-making with regard to peacebuilding projects. International donors have played an important role through pro-peace advocacy to show what businesses can do; making funds and know-how available to share the burden of engaging in activities not directly connected to the core business; and by providing incentives, such as setting up peacebuilding projects as business opportunities. Government agencies have done similar work. International donors and governments have learned to talk the language of business. Usually, a senior executive within a company plays the role of 'norm entrepreneur' – a person who pushes for supporting a peacebuilding project out of personal conviction or professional ambition. Eventually, a domino effect occurs after one company decides to engage in a peacebuilding project. Contractors, business rivals and business partners join in, either to comply with a lead-company's requests, to share the same benefits or simply in emulation. But here size and corporate culture matter. Larger, urban companies tend to have more financial and human resources and are more attuned to mainstream democratic standards, while smaller, rural companies have less resources, more difficulty in fending off threats from illegal armed groups and are behind in internalising CSR norms.

Understanding of peacebuilding

Many Colombians interpret peace as ending conflict through a political negotiation between government and guerrillas, whereby the former acknowledges the latter's claims to sharing power, and begins to address issues of inequality and social exclusion. A maximalist version of this interpretation equates peace to a structural transformation of society, the economy and politics at large along social democrat lines. Those holding these views think that the demobilisation of right-wing paramilitaries does not contribute to peace and would rather see this group of illegal combatants in jail. A more modest interpretation defines peace as simply the end of violent confrontations, either through peaceful means, because guerrillas and paramilitaries decide to demobilise, or because they are defeated by the armed forces. The issue of whether to fight illegal armed groups through military means or not has been a controversial issue and there is no consensus on the matter. Colombians, though, claim protection from illegal armed groups' abuses, which entails a minimum state capacity to provide physical security to citizens through the use of legitimate force.

To ascertain corporate preferences, a larger sample of cases would be required. However, the peacebuilding initiatives found through this research show that businesses have established a conceptual connection between socio-economic variables and the roots of conflict. Improving the livelihoods of poor populations prevents them from joining illegal armed groups. This does not necessarily mean that all businesses have an intention to introduce structural changes or alternative development models, but the development-security nexus has definitely been identified.

Another reason why businesses have chosen to engage in programmes that focus on starting up new businesses to provide jobs to vulnerable populations or youth is that businesses have naturally gone for what they understand best, namely creating profitable, economic activities. Some have gone beyond economic development by building into their projects components to foster solidarity, social capital, non-violent methods of conflict resolution, democracy, human rights and tolerance. The trend is significant even if the peacebuilding initiatives have not yet taken the form of a national movement, and eschew addressing key topics related to corporate behaviour and the high concentration of wealth in Colombia. The private sector is helping to maintain a momentum in favour of the development of the country's marginalised zones. Businesses are increasingly exposed to NGOs and social organisations with different ideas and are learning to coexist without hostility, although trades unions have yet to be brought into the process. Moreover, by simply engaging in public debates about how to end the conflict, businesses have inevitably been forced to reflect more thoroughly on their own identity and conduct.

Acronyms

AUC	Autodefensas Unidas de Colombia
AR	Alianzas Red
CEA	Compañía Envasadora del Atlántico
CSR	Corporate social responsibility
DDR	Disarmament, Demobilisation and Reintegration
DFZ	Duty Free Zone
ELN	Ejército de Liberación Nacional
FARC	Fuerzas Armadas Revolucionarias de Colombia
GDP	Gross Domestic Product
IDP	Internally Displaced Person
IOM	International Organization for Migration
ISA	Interconexión Eléctrica S.A.
OACP	Office of the High Commissioner for Peace
OAS	Organization of American States
Prodepaz	Programa de Desarrollo para la Paz
PDP	Peace and Development Programmes
USAID	US Agency for International Development
UNDP	United Nations Development Programme

Endnotes

- 1 This chapter benefited from the research assistance of Gerson Arias, Alexandra Castro, Morelca Giraldo and Giovanni Mantilla from the Fundación Ideas para la Paz (FIP). They collected information for the various cases examined during investigations conducted in Antioquia, Bogotá, Córdoba and Huila in Colombia in 2005. The author also wishes to thank all those who agreed to be interviewed. The content of this paper is the author's responsibility and does not represent the official position of FIP.
- 2 According to World Bank 2003 figures.
- 3 Sectoral statistics from Departamento Administrativo Nacional de Estadística and Coinvertir. See www.dane.gov.co and www.coinvertir.org
- 4 This could change in the future. Security staff in Colombia and Ecuador suspect Venezuela's President Hugo Chávez may be financing radical rebel groups, including the FARC in Colombia and the new *Ejército de Liberación Alfarista* in Ecuador.
- 5 See *Correlates of War* in www.correlatesofwar.org and Russett, B. (1994) *Grasping the Democratic Peace* (Princeton, US: Princeton University Press).
- 6 Díaz and Sánchez argue, for instance, that coca production is due to the effects of illegal armed activity, and in contrast, coca crops can only be used to explain a small part of the armed conflict in Colombia. See Díaz, A.M. and Sánchez, F. (2004) 'A Geography of Illicit Crops (coca leaf) and Armed Conflict in Colombia' *Working Paper* No. 47 (London, UK: Crisis States Programme, London School of Economics).
- 7 For a discussion of the 'greed and grievance' elements in the Colombian conflict, see Guáqueta, A. 'The Colombian Conflict: Political and Economic Dimensions' in Ballentine, K. and Sherman, J. (eds.) (2002) *The Political Economy of Armed Conflicts: Beyond Greed and Grievance* (Boulder, US: Lynne Rienner).

- 8 See Echandía, C. (1999) *El conflicto armado y las manifestaciones de violencia en las regiones de Colombia* (Bogotá, Colombia: Presidencia de la República de Colombia, Oficina del Alto Comisionado para la Paz, Observatorio de Violencia); and Romero, M. (2003) *Paramilitares y autodefensas, 1982-2003* (Bogotá, Colombia: IEPRI-Planeta).
- 9 Estimates of the size of the illegal drug industry tend to vary. Two key sources on cultivation and eradication in Colombia are the yearly US International Narcotics Control Strategy Report, which uses figures from the Central Intelligence Agency, and the United Nations Office on Drugs and Crime.
- 10 Data for FARC and ELN was obtained in July 2002 from the Dirección de Justicia y Seguridad at Colombia's Departamento Nacional de Planeación. Paramilitary figures are a rough estimate. Recent demobilisations show higher figures. Some speculate they could have recruited right before demobilisation.
- 11 See UNDP (2004) *El Conflicto: callejón con salida. Índice Nacional de Desarrollo Humano*, 2003 (Bogotá, Colombia: UNDP).
- 12 Cárdenas, M., Cadena, X. and Caballero, C. (2005) *Análisis del incremento en defensa y seguridad: resultados y sostenibilidad de la estrategia* (Bogotá, Colombia: Fedesarrollo).
- 13 Central Unitaria de Trabajadores de Colombia (CUT) 'La CUT condena acto terrorista' (Bogotá, Colombia: CUT); *El Tiempo*, 17 February 2003; *El Tiempo*, November 5, 2004; 'Spokesman for Danish Organisation Charged with Funding Terror' BBC Monitoring International Reports, 1 December, 2005; and 'Colombia, Danish Group Clash Anew Over Rebels', Agence France Presse, 25 March, 2005.
- 14 Programa Atención Humanitaria al Desmovilizado, Ministry of Defense; Oficina del Alto Comisionado para la Paz, www.altocomisionadopalapaz.gov.co
- 15 Misión de apoyo al proceso de paz en Colombia (MAPP/OEA). Sexto informe trimestral del secretario general al consejo permanente sobre la misión de apoyo al proceso de Paz en Colombia. 1 March, 2006. <http://www.oas.org/main/main.asp?sLang=S&sLink=http://www.oas.org/OASpage/esp/ultimasnoticias/ultimasnoticias.asp>
- 16 For a historical review of private sector participation in peace processes, see Correa, R. (2004) 'Empresarios, conflicto armado y procesos de paz en Colombia' in *Síntesis 2002-03. Anuario Social, Político y Económico de Colombia* (Bogotá, Colombia: FESCOL, IEPRI, Nueva Sociedad). Correa was Secretary General of the Asociación Nacional de Industriales, the national industries association, and participated in the talks with FARC during the Pastrana government.
- 17 In the 1990s the reinsertion advisory commission was created so that private sector could assist the government in reintegrating M-19, the PRT, the EPL, the indigenous-based MAQL and the CRS. However, no systematic documentation of these experiences can be found that can attest to the private sector's actual involvement. When consulted, Nicanor Restrepo claims he was invited to take part in the Commission but does not recall having ever been invited to a meeting. Author's conversation with Gerson Arias, 22 September, 2005.
- 18 Correa op. cit. Original data is from Fondelibertad.
- 19 *El Tiempo*, 22 July 2002.
- 20 See www.ideaspaz.org
- 21 The cases of Vallenpaz (founded in 2000) and Entretodos (founded in 1996) are documented in Rettberg, A. (2004) *Business-Led Peacebuilding in Colombia: Fad or Future of a Country in Crisis*, Working Paper No. 56 (London, UK: Crisis States Programme, London School of Economics). Available at www.crisisstates.com
- 22 Agencia Colombiana para la Cooperación Internacional (ACCI) (2006) *Asistencia Oficial al Desarrollo 1998-2006* (Bogotá, Colombia: Acción Social).
- 23 Government Accountability Office (2004) 'US Non-military Assistance in Colombia is Beginning to Show Intended Results, But Programs are Not Readily Sustainable' (Washington DC, US: Government Accountability Office).
- 24 Rojas, M. C. And Morales, G. (1999) *Filantropía y cambio social: el caso de las fundaciones empresariales filantrópicas en Colombia* (Ford Foundation, CCRP); also Rojas, M. C. (2002) 'Corporate Philanthropy: A Reflection Based on the Colombian Experience' *ReVista Harvard Review of Latin America* Spring 2002.

- 25 Observatorio del Programa Presidencial de Derechos Humanos *Panorama actual del Oriente Antioqueño* (Bogotá, Colombia: OPPDH).
- 26 ISA had reached the same conclusion as multinationals in the extractive industry. Typically, companies that have revised their traditional risk and impact analysis methods are multinationals connected to Western-based networks working on avant-garde CSR, which is why ISA's behaviour begs for further research on how CSR norms form and evolve within corporations. So far, it has been identified that early exposure to social conflict marked their learning process.
- 27 The first is a local business association with 75 affiliated companies, and the second is a business-funded non-profit organisation promoting education, technological research, development and entrepreneurship in Antioquia.
- 28 Prodepaz documents.
- 29 See Velasco, M.P. (2005) 'Recomendaciones de política pública y sector privado en la reinserción de desmovilizados colectivos e individuales' (Bogotá, Colombia: FIP). Study commissioned to FIP by USAID.
- 30 CODHES (2003) 'Guerra y confinamiento, ¿desplazados sin salida?' Boletín Informativo No. 46 (Bogotá, Colombia: CODHES).
- 31 CODHES (2005) 'Desplazados en el limbo' *Boletín Informativo* No. 56 (Bogotá, Colombia: CODHES).
- 32 Presidencia de la República (2005) Decreto 250: 'Por el cual se expide el Plan Nacional para la Atención Integral a la Población Desplazada por la Violencia y se dictan otras disposiciones' (Bogotá, Colombia: Presidencia de la República).
- 33 Total project cost amounted to \$97,752.
- 34 Conversations with officials at the Ministry of Defence and Ministry of Interior, 2004-05.
- 35 See Guáqueta, A. (2005) *Desmovilización y reinserción en El Salvador. Lecciones para Colombia*, Informes FIP (Bogotá, Colombia: FIP).
- 36 The reintegration of individually demobilised combatants is managed by the Ministry of Interior's *Programa de Reincorporación a la Vida Civil*. During the two-year process, beneficiaries receive psychological assistance, vocational training and about \$2,800 to start up small businesses. Collective demobilisation is managed by the same office jointly with the Office of the High Commissioner for Peace in the Office of the Presidency, which led the actual negotiations with the paramilitaries. Their reintegration has followed a somewhat different path, partly because the paramilitaries have important resources of their own, and the capacity to design, fund and implement agri-businesses in their former zones of influence.
- 37 Interview with official from Ministry of Interior's DDR programme, Bogotá, 2005; *El Tiempo*, 14 July 2005; *El Tiempo*, 17 May 2003.
- 38 Public Law 109-102, enacted on 14 November 2005, earmarked up to \$20 million for individual and collective DDR.
- 39 In 2005, FIP interviewed different business associations in Colombia's main cities to gauge the private sector's willingness to support DDR projects and conduct a preliminary assessment of what type of incentives would be needed to mobilise greater interest. See Velasco, M.P. (2005) *Recomendaciones de política pública y sector privado en la reinserción de desmovilizados colectivos e individuales* (Bogotá, Colombia: FIP).
- 40 In January 2006, the government finally designated a three-person, high-level team to coordinate contacts with businesses willing to help.
- 41 Each demobilised combatant is given \$900 as seed capital. Several can then join together and partner with a private sector investor previously identified by the OACP through local consultations in the communities where former fighters intend to re-settle. By January 2006, 14 such projects employing 800 demobilised fighters had been established. Some claim, however, that such projects are actually funded by paramilitary and drug traffickers who had begun investing in legal activities, an emerging 'entrepreneurial class'.
- 42 Interviews with Ministry of Interior staff, Bogotá, January 2006.
- 43 As recounted in the FIP-sponsored seminar 'Reconstruction and Region', held in Medellín in November 2005.
- 44 FIP will conduct a research project in 2006-07 to evaluate private sector engagement in DDR.

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