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Working Paper no.56

BUSINESS-LED PEACEBUILDING IN COLOMBIA: FAD OR FUTURE OF A COUNTRY IN CRISIS?

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December 2004

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The Editor, Crisis States Programme, Development Research Centre, DESTIN, LSE, Houghton Street, London WC2A 2AE.

Crisis States Programme
Working papers series no.1

ISSN 1740-5807 (print)
ISSN 1740-5815 (on-line)

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Business-Led Peacebuilding in Colombia: Fad or Future of a Country in Crisis? *

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Abstract

This paper argues that the emphasis on the private sector's contribution to fuelling armed conflict has neglected our understanding of business motivations operating in the opposite direction: building peace. Based on four cases of local business-led peacebuilding in Colombia, this paper concludes that these represent innovative and quite pragmatic solutions to the specific needs of companies faced with conflict. The paper suggests that factors explaining business-led peacebuilding include variables related to context (conflict costs; economic recession; and state absence) as well as to company-specific traits (nature of assets, size, and sectoral profiles; institutional trajectories; and the ability to free ride). The findings point to the importance of self-interest as an explanation of business-led peacebuilding and offer insights for scholars and policymakers interested in promoting private sector participation in overcoming crisis.

Introduction

Crises generate creative, and often unexpected, responses. This is illustrated by the way in which fractions of the Colombian private sector have tackled conflict – and its impact on business operations – at the local level. Often criticised for favouring strong hand approaches or for remaining uninvolved in the solution to social problems, a number of business initiatives are leading peacebuilding activities aimed at overcoming the perceived sources of conflict or, at least, mitigating its negative impact, in several Colombian municipalities.

In this paper I focus on four of these business-led peacebuilding initiatives: *Indupalma* (a palm oil producer in the central Magdalena River Valley), *Vallenpaz* (a business-supported organisation operating in the city of Cali and neighbouring municipalities), the Bogotá-centred Peace Group of the President's Forum, and *Entretodos* (a splinter initiative of a private sector think tank in Medellín). These initiatives share a background of conflict and are similar in that they believe that an eventual peace in Colombia will require development processes from below, including institution building and re-building, supporting community organisation and governance by means of participation in education and employment programmes, peaceful conflict resolution, and promoting productivity and wealth creation.

* I thank Facultades de Ciencia Política y Gobierno y de Relaciones Internacionales at Universidad del Rosario and the Centro de Estudios Socioculturales (CESO) at Universidad de los Andes for their administrative support. For comments I am grateful to Enrique Chaux, Jonathan DiJohn, Gary Hoskin, Jean Paul Faguet, and Ann Mason. For research assistance I thank Catalina Arreaza, Ana María Bustos, Jaime Jaramillo, Marcela Jaramillo, and Allison González. This research was supported by a grant from the Crisis States Research Centre of the London School of Economics and Political Science and administered by the Political Science Department Universidad de los Andes and the Universidad del Rosario.

They also differ in many ways (see Table 1). The scope of their activity ranges from local to municipal to regional (not one is national in scope). Some focus their activities in rural areas, others in urban centres; and they vary in the degree to which they engage with – or seek to supplement – local and legal political authorities, and in the extent to which they have bargained with local illegal armed actors.

Table 1. Four approaches to business-led peacebuilding

	Indupalma	Vallenpaz	Entretodos	Peace Group
Scope	Local	Regional	Municipal	Municipal
Urban/rural	Rural	Rural	Urban	Urban
Meaning of peace	Wealth creation and worker empowerment	Socioeconomic development	Peaceful coexistence; company-specific CSR	Peaceful and productive interpersonal relationships in schools and companies; CSR
Relationship with local authorities	Endorses mayor candidates	Seeks to fill institutional void	Activism and close collaboration, then retreat	Close collaboration, complement
Relationship with local illegal armed actors	Confrontation	Active bargaining	No known bargaining	No known bargaining

These four initiatives are more an exception than the norm in the Colombian corporate response to conflict. Most domestic companies have remained passive, internalising conflict as one additional operational cost.¹ As documented by the General Prosecutor's Office, many are involved in the financing of private militias and paramilitary groups.² Some have identified an opportunity to increase sales, as demonstrated by the boom of private security and insurance companies.³ Many have engaged in capital flight, as reported by the president of the Bogotá stockmarket.⁴ Some business members and associations took part in negotiations while the Pastrana government's peace talks lasted,⁵ but only a few members of the Colombian private sector have and remain engaged in local-level peacebuilding.

Given a set of options for business response to conflict, and in the absence of specific incentives for business-led peacebuilding (such as tax exemptions), I ask why some local business leaders or firms choose a peacebuilding initiative. What explains business preferences for peaceful solutions at the local level? An answer to this question is important

¹ Juan Carlos Echeverri, *Las claves del futuro: Economía y conflicto en Colombia*, Bogotá: Editorial Oveja Negra, 2002.

² As documented in several ongoing legal processes which draw from information obtained from police searches in the Córdoba and Valle del Cauca departments. 'Cacería a finanzas paras', *El Tiempo*, 25 May 2001; 'Rastreo a 40.000 giros', *El Tiempo*, 28 May 2001; 'El 8.000 de los paras (I)', *El Tiempo*, 20 October 2001; 'Las cuentas de las AUC (II)', *El Tiempo*, 21 October 2001; 'Estados Unidos cancela visas', *El Tiempo*, 31 October 2001; 'Colombia Cracks Down on Ranchers', *The New York Times*, 7 June 2001; 'Warnings on Colombian Paramilitary', *The New York Times*, 7 September 2000.

³ 'Los ejecutivos se atrincheran', *Portafolio*, 16 September 2002, p.10. While multinationals were the prime customers of security services in the past, anti-kidnapping insurance, bullet-proof jackets and cars, and bodyguards are now commonly demanded among Colombian companies.

⁴ Angelika Rettberg, 'Administrando la adversidad: Respuestas empresariales al conflicto colombiano', *Colombia Internacional* – Universidad de los Andes, 55 (May-August 2002), pp. 37-54.

⁵ Angelika Rettberg, 'Is Peace your Business? The Private Sector and Peace Talks in Colombia', *Iberoamericana*, 11 (September 2003a), pp.196-201.

for several reasons. First, the business-led initiatives listed here show that, in addition to research on business and conflict,⁶ there is also a need for the academic literature on the post-Cold War conflicts to focus on business' contribution to peacebuilding.⁷ So far, the limited literature on the private sector's role in peacebuilding has investigated how transnational companies can prevent or mitigate conflict.⁸ A focus on the domestic private sector's role in peacebuilding will shed light on the very different options and limitations it faces in contrast with its transnational counterparts – for instance its constraints on exit, its stake in established networks in domestic markets, and its greater vulnerability to the costs of domestic conflict – and how they may shape business-led peacebuilding activity.

Secondly, as can be derived from the experience of other countries, the likelihood for peace to be built and consolidated in Colombia depends significantly on the domestic private sector's willingness to share the peacebuilding burden.⁹ By addressing the motivations underlying business-led peacebuilding activity in Colombia, my research contributes to understanding the prospects of the domestic private sector for becoming a partner in the complex task of peacebuilding, while also pointing at its potential limits and obstacles.

Third, as documented by a rich neo-institutionalist literature on the formation of business preferences, economic actors are embedded in institutional contexts that shape their preferences and explain variation in terms of what they want, when they get it, and what they need to be effective.¹⁰ An institutionalist approach points to specific constraints and facilitating conditions that make the choice to participate in peacebuilding more or less likely. At the same time, it helps forecast the sustainability of these business-led initiatives. In particular, institutionalism underscores the importance of context in shaping preferences and of learning processes in affecting the likelihood of certain outcomes.¹¹ As applied to business-

⁶ Andrew Mack, *The Private Sector and Conflict – Global Compact Policy Dialogue*, Harvard Program on Humanitarian Policy and Conflict Research, 2002; Juliette Bennett, *Businesses in Zones of Conflict: The Role of the Multinational in Promoting Regional Stability*, New York: International Peace Forum/World Monitors Inc., prepared for the United Nations Global Compact Policy Dialogue, March 2001; International Peace Academy (IPA), *Private Sector Actors in Zones of Conflict and Policy Responses – IPA Workshop Report*, New York: International Peace Academy, 2001.

⁷ For an extended review of the literature on private sector, peace, and conflict, see Angelika Rettberg, *Business-Led Peacebuilding in Colombia: Fad or Future of a Country in Crisis?*, Crisis States research report, 13 September 2004 (<http://www.crisisstates.com/download/projectnotes/rettberg.pdf>).

⁸ Joan Nelson, *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution*, International Alert, Council on Economic Priorities, Prince of Wales Business Leader Forum 2000; Virginia Haufler, *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy*, Washington D.C.: Carnegie Endowment for International Peace, 2001a.

⁹ J.-P. Azam *et al.*, *Some Economic Consequences of the Transition from Civil War to Peace*, Washington D.C.: World Bank, 1994; Allan Gerson, 'Peace Building: The Private Sector's Role', *American Journal of International Law*, 95:1 (January 2001), pp.102-119; Virginia Haufler, 'Is There a Role for Business in Conflict Management?' in Chester A. Crocker *et al.* (eds.), *Turbulent Peace: The Challenges of Managing International Conflict*, Washington DC: United States Institute for Peace Press, 2001b.

¹⁰ See Peter Evans, 'State Structures, Government-Business Relations, and Economic Transformation', in Sylvia Maxfield & Ben Ross Schneider (eds.), *Business and the State in Developing Countries*, Ithaca: Cornell University Press, 1997; Peter Evans, 'The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change', in Steven Haggard & Robert Kaufman (eds.), *The Politics of Economic Adjustment*, Princeton: Princeton University Press, 1992; Stephen Krasner, 'Approaches to the State: Alternative Conceptions and Historical Dynamics', *Comparative Politics*, 16:2 (January 1984), pp.223-246; Douglass North, *Institutions, Institutional Change, and Economic Performance*, Cambridge: Cambridge University Press, 1990; and Sven Steinmo *et al.* (eds.), *Structuring Politics: Historical Institutionalism in Comparative Analysis*, New York: Cambridge University, 1992.

¹¹ Chris Argyris, *On organizational learning*, Oxford, Malden & Mass.: Blackwell Business, 1999; Peter M. Senge *et al.*, *The dance of change : the challenges of sustaining momentum in learning organizations*, New

led peacebuilding, these insights help explain variation in how the Colombian private sector envisions and practices peacebuilding. In addition, they suggest the existence of institutional trajectories in the formation of peacebuilding preferences. An institutionalist approach focuses our attention on the role of the Colombian context of conflict, as well as the distinct characteristics of the companies involved (organisational, sectoral, etcetera) to explain how peacebuilding preferences evolve.

Finally, my work makes several contributions to the Crisis States Programme's (CSP) agenda of research. By studying and analysing the factors shaping local business communities' decision to initiate activities aimed at constructing durable peace, my study shares the CSP's overarching aim of providing new understanding of the causes of crisis and breakdown in the developing world, along with the processes of avoiding or overcoming them. The study adds to the overall CSP framework by placing additional emphasis on efforts to overcome conflict on behalf of sectors – such as the domestic private sector – which have received little attention in the literature on the micro-level's bottom-up contribution to overcoming conflict. In fact, while the literature tends to depict the private sector (especially the international private sector) as an actor with an interest in maintaining conflict, this project aims to provide evidence showing how substantial parts of the domestic private sector have a stake in overcoming crisis and act accordingly.

In this paper I first outline the relationship between the Colombian private sector and conflict, in order to provide the needed background for the description and discussion of the four cases in the following section. The third section pulls together the motivations driving these particular business-led peacebuilding initiatives. The conclusions focus on the lessons they provide and the challenges they face.

Business, Peace, And Conflict In Colombia

While business-related interests have often been at the centre of Colombia's violent and non-violent power struggles – such as land tenure, the tax system, and other privileges – up until the mid 1990s conflict was not considered a general liability for business interests. The confrontation was circumscribed to rural areas, and business surveys showed that conflict occupied a low spot on the list of concerns. Not surprisingly, the mass of entrepreneurs remained indifferent faced with efforts to end conflict by negotiated means during the 1980s.¹²

Only beginning in the 1990s did conflict encroach on business interests on a massive scale. Although Colombia has been able to maintain levels of economic growth similar to or higher than the Latin American average despite its internal troubles,¹³ National Planning Department estimates suggest that the conflict cost the country between 2 and 4 GDP points per year

York: Currency, 1999; Peter M. Senge, *The Fifth Discipline Fieldbook: Strategies and tools for building a learning organization*, New York: Currency, 1994; Dietrich Rueschemeyer & John D. Stephens, 'Comparing Historical Sequences - A Powerful Tool for Causal Analysis', *Comparative Social Research*, 16 (1997), pp.55-72; Atul Gupta & Lalatendu Misra, 'The Value of Experiential Learning by Organizations: Evidence from International Joint Ventures', *The Journal of Financial Research*, 23:1 (Spring 2000), pp. 77-102.

¹² Angelika Rettberg, 'The Business of Peace in Colombia: Assessing the Role of the Business Community in the Colombian Peace Process', paper presented at the Annual Meeting of the Latin American Studies Association (LASA). Dallas, USA, 26-31 March 2003b.

¹³ Echeverri (2002).

between 1991 and 1996 and over 7 percent of GDP in 2003.¹⁴ Business operations are affected by the regular destruction of infrastructure such as energy and communication towers and roads.¹⁵ In addition, between 1996 and 2002, the number of kidnappings has gone up 85.7 percent.¹⁶ Business people are preferred targets of kidnappings. Of the more than 3,000 people kidnapped each year in Colombia since 1998, 15 percent belong to the business community.¹⁷ The private sector also faces other types of extortion. The illegal armed actors' practice of charging regular fees to landowners is a common phenomenon, especially in rural areas. In April 2000 the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) launched 'Law 002', which imposed a 'tax' of up to ten percent on asset holders of more than one million US dollars, in exchange for exemption from attacks. Resistance to pay effectively prevented distribution of goods of Colombian companies in one hundred municipalities nation-wide, showing that the FARC was serious about its revenue-collecting tool.¹⁸

Business has also been pressed hard for resources from government. Since the mid 1990s, the state has collected more than four billion US dollars in different forms of security taxes and bonds.¹⁹ Recently, president Uribe increased the tax burden for a military buildup (or to provide 'democratic security', as designated in the budget) against the Colombian insurgency by implementing a one time tax equal to 1.2 percent of working capitals of 169.5 million pesos or higher (approximately US\$60,000). The category fits only 400,000 tax payers, due to high levels of evasion²⁰ and failure to register assets, but the prospect of having to reach deep into their pockets in order to contribute to the re-establishment of order and security matters to business overall.²¹

¹⁴ Martha Elena Badel & Edgar Trujillo, *Informe especial: Los costos económicos de la criminalidad y la violencia en Colombia: 1991 – 1996*, Bogotá: Colección Archivos de Macroeconomía - Departamento Nacional de Planeación, Document 76, March 1998; Camilo Granada & Leonardo Rojas, 'Los costos económicos del conflicto armado en Colombia: 1990-1994', *Revista de Planeación y Desarrollo*, 26:4 (October–December, 1995), pp.119-151; Mauricio Rubio, 'Los costos de la violencia en Colombia', *Documentos CEDE*, 97-10, Bogotá: Universidad de los Andes, 1997; María Eugenia, *et al.*, '¿Cuánto ha perdido Colombia por el conflicto?', *Cuartillas de Economía*, Bogotá: Departamento Nacional de Planeación, 2004a.

¹⁵ Dirección de Justicia y Seguridad, Departamento Nacional de Planeación, 'Costos de la paz y de la guerra', Powerpoint presentation, Bogotá, 21 February 2002, at http://www.dnp.gov.co/02_sec/justicia/justi.htm. See also, Ministerio de Defensa Nacional, *Informe Anual de Derechos Humanos y Derecho Internacional Humanitario 2002 y Avances Período Presidencial 2003*, Bogotá, August 2003.

¹⁶ Departamento Nacional de Planeación, Dirección de Justicia y Seguridad, *Cifras de violencia 1996-2002*, 0:1, 2003.

¹⁷ See País Libre NGO, (<http://www.paislibre.org.co/>) accessed 26 October 2002; María Eugenia, *et al.*, *El secuestro en Colombia: Caracterización y costos económicos*, Archivos de Economía, Document 257, Bogotá: Departamento Nacional de Planeación, 2004b, p.38; and Jason Webb, 'What Price Freedom? Kidnap Insurers Have an Answer', *Reuters*, 15 May 2003.

¹⁸ 'Bloqueo por la '002'', *Portafolio*, 26 June 2001.

¹⁹ Between 1994 and February of 2004, the Colombian state has collected \$4,061,313,914,200 Colombian pesos in the form of security taxes and bonds. This amounts to over four billion in constant 1994 US Dollars. See Presidencia de la República, Casa de Nariño, 'Decreto 1838 del 11 de agosto de 2002', 18 March 2004, at <http://www.presidencia.gov.co/sne/2004/marzo/18/05182004.htm>; and Presidencia de la República, 'Informe de la Veeduría Especial. Bonos de Solidaridad para la Paz. Ley 487 de 1998', September 2002 at http://www.plancolombia.gov.co/contenido/fip/ley_487_de_1998.html. For the exchange rate see 'Tasa de cambio representativa de mercado -TCRM-. Promedio mensual desde 1950', at http://www.banrep.gov.co/estad/dsbb/sec_ext_011.xls. The average exchange rate for 1994 was \$826.56 Colombian pesos per US Dollar.

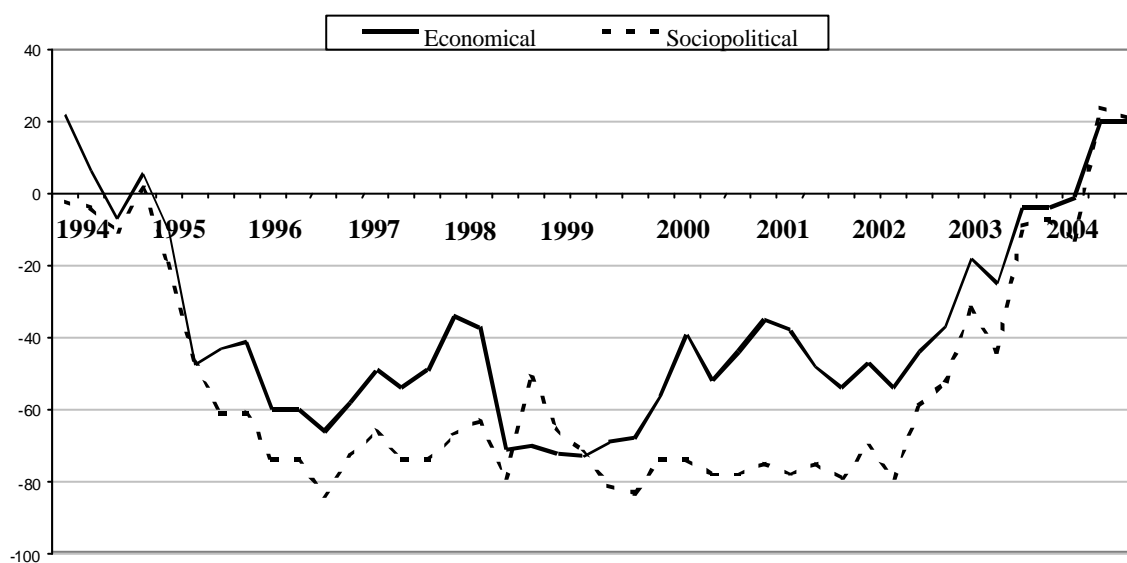
²⁰ Evasion rates are around 30 percent, amounting to 8 billion Colombian Pesos (£1,688,696.18, at an exchange rate of £1 = \$4,743 pesos, 23 August 2004).

²¹ Juan Forero, 'Burdened Colombians Back Tax to Fight Rebels', *The New York Times*, 8 September 2002.

The cost of conflict to business has an important international dimension. A recent World Markets Research Centre report ranked Colombia as the country most likely to be targeted in a terrorist attack in 2004.²² Potential investors have also been detracted by Colombia's high risk rating (whereby investments in a given country are conditioned to the payment of an extra interest to compensate for the added risk). Colombian risk ratings of companies, such as *Standard & Poors's* and *Moody's*, have fluctuated around BB on a scale that ranges from AAA to C. In addition to variables such as the size of the fiscal deficit and the implementation of pension reform, rating companies consider the added risk due to internal conflict.²³

Insecurity consistently ranks among companies' prime concerns,²⁴ leading companies to spend four to six per cent of their budgets on protection of their staff, equipment, and operations.²⁵ Figure 1, for example, illustrates the evolution of business perception of socio-political conditions for investment as documented in a tri-monthly survey. Exact data to quantify costs per sector are unavailable; however, the different indicators listed above strongly suggest that for the private sector overall the long standing Colombian conflict has turned into a liability affecting the country's competitiveness in the region and worldwide.

Figure 2. Economical and Sociopolitical Conditions for Investment, based on a tri-monthly business survey by FEDESARROLLO



Source: Encuesta de Opinión Empresarial, FEDESARROLLO, May 2004.

²² *Houston Chronicle*, '9/11-style attack predicted in next year', 18 August 2003.

²³ 'Standard & Poor's mantiene nota', *El Tiempo*, 6 November 2002; 'S&P mantiene calificación de riesgo a Colombia', *Portafolio*, 6 November 2002.

²⁴ Coinvertir, *Obstáculos y oportunidades para la inversión extranjera en Colombia*, Bogotá: Departamento Nacional de Planeación, 2000.

²⁵ *The Economist*, 'Few friends left for Colombia's peace talks', 14 December 2000 (Economist.com).

According to the leader of the Association of Industry (ANDI), Luis Carlos Villegas, 2.7 percent of company sales are invested in security. Colombian News Broadcast, 17 December 2002.

Peacebuilding as a business response to conflict

Faced with the escalation of the Colombian conflict, business has often been accused of indifference.²⁶ In fact, it has produced quite different, often overlapping, responses. One of these business responses to conflict has been an increased interest in seeking ways to precipitate an end to conflict. The underlying rationale is simple, as stated by one Colombian executive: “Peace is better business”.²⁷

Business interest in overcoming conflict took the form of unprecedented participation by high ranking business executives and representatives of business associations in the peace talks held during the Pastrana administration (1998-2002).²⁸ During this period it became fashionable for business to be involved in discussions about peace and prominent business leaders made a point of referring to the private sector’s responsibility in peacebuilding.²⁹ In addition, this period witnessed the development of unprecedented business-led peacebuilding activity.

Business enthusiasm for negotiating peace did not withstand the increasing difficulties encountered in the development of talks, which eventually broke down in 2002. The same business surveys that had enthusiastically endorsed Pastrana’s bid now just as enthusiastically endorsed presidential candidate Álvaro Uribe’s promise to implement a strong-hand approach.³⁰ Indications that president Uribe’s security strategy is yielding results³¹ (kidnappings are down,³² the steady flow of Colombians has abated,³³ and company profits are up³⁴) took a toll on business-led peacebuilding, in rhetoric and in practice. The peace discourse disappeared from public agendas and gave way to the ‘fight against terrorism’ rhetoric. However, some business-led peacebuilding has endured. While this does not reflect opposition to Uribe’s security policy, it does indicate persistence in pursuing an alternative course of action based on local needs.

Against this background, the question that gave rise to this research appears even more relevant today: Given a set of alternative courses of action, why do firms choose peacebuilding strategies? The next sections will describe four cases of business-led peacebuilding with an emphasis on the factors shaping business preferences for these initiatives.

²⁶ The advisor for Colombia to the Secretary General of the United Nations James Lemoyne, for example, pointed out the Colombian elite’s high levels of tax evasion and its lack of support for social reform. See, for example, ‘El regaño de Lemoyne’, *Portafolio*, 20 May 2003; and ‘La Frase’, *Portafolio*, 20 May 2003.

²⁷ Interview with Sabas Pretelt de la Vega, President of Fenalco (Federación Nacional de Comerciantes), Bogotá, 5 December 2002.

²⁸ Rettberg (2003a).

²⁹ See, for example, Nicanor Restrepo, *Derecho a la Esperanza*, Bogotá: Tercer Mundo Editores – Cambio, 1999.

³⁰ ‘Dirigencia raja gestión de paz’, *El Tiempo*, 20 March 2000; ‘Few friends left for Colombia’s peace talks’, *Economist.com*, 14 December 2000.

³¹ See, for example, Ann Mason, ‘Colombia’s Democratic Security Agenda: Public Order in the Security Tripod’, *Security Dialogue*, 34:4 (2003), pp.391-409; Francisco Leal, ‘La seguridad durante el primer año del gobierno de Álvaro Uribe Vélez’, *Análisis Político*, 50 (January–April 2004); and Fundación Seguridad y Democracia, *Coyuntura de Seguridad, Informe Especial*, 5 (April–June 2004).

³² ‘Colombia: menos secuestros’, *BBC.com*, 4 May 2004. See also Pinto *et al.* (2004b), p.38.

³³ ‘Disminuye éxodo de colombianos al exterior’, *The Miami Herald.com*, 9 July 2004.

³⁴ Coinvertir, ‘100 of the most important companies in Colombia duplicated profits’, 3 May 2004, at <http://www.coinvertir.org>; ‘Ganancias de las empresas crecieron 40%’, *El Tiempo*, 2 August 2004.

Vallenpaz: Corporation for Development and Peace of the Valle and Cauca regions (Corporación para el Desarrollo y la Paz del Valle y el Cauca)

A mix of recession and conflict provided an impulse to the founding of *Vallenpaz*, a business initiative led by former Cali mayor, Rodrigo Guerrero, aimed at supporting and rebuilding local state institutions as well as promoting socioeconomic development in guerrilla strongholds in the neighbouring Valle and Cauca regions. Beginning in the mid 1990s, the Valle Department witnessed a severe drop in regional economic growth, caused in part by the retreat of the Cali drug cartels,³⁵ and in part by the liberalisation reforms of the 1990s, which severely affected its agriculture-based economy. In addition, the kidnapping of over hundred people during a religious service at La María parish in a wealthy Cali neighbourhood by the ELN, in May 1999, reflected an increase in attacks targeted specifically against the economic establishment.

Guerrero and his supporters endorsed a structural interpretation of violence, attributing it to rampant poverty and state neglect in specific areas of the country.³⁶ In addition, they viewed poverty as a limit to growth. For both reasons, business-led intervention was perceived to be necessary to regain a business-friendly climate. In the words of one of its members, *Vallenpaz* and other forms of corporate social responsibility represent “an insurance for personal safety”.³⁷ According to Guerrero, “people are shocked, but it is true: We are buying peaceful coexistence (*convivencia*); you need to sell to buy peace”.³⁸

The focus of *Vallenpaz*’ interventions are 1,600 families in nine neighbouring municipalities deeply engulfed in conflict and poverty.³⁹ Projects focus on the promotion of sustainable development in agricultural products, require community organisation and participation and offer privileged access to commercial networks provided by *Vallenpaz*’s associates.

In the absence of substantial financial support from regional business players, resources have been raised increasingly from institutional and international donors, such as the European Union, the national Peace Investments Fund (FIP), and the U.S. government through the Organization for International Migrations (OIM) and the US Agency for International Development (USAID) for a total operating capital of \$5.000 million pesos (US\$ 2 million). Crucial to *Vallenpaz*’ success in raising funds has been the positive reputation and connections of its founder and current director, Rodrigo Guerrero, a former mayor of Cali, director and founder of one of the most reputable national philanthropic foundations (*Fundación Carvajal*), and coordinator of the social component of Plan Colombia.

Guerrero’s political and negotiating skills can also be partially credited with (so far) effective bargaining with local guerrilla leaders for entry into the areas and protection against attacks. In each region, project initiation has been preceded by contacts with local commanders to seek approval and avoid obstructions. So far, bargaining has proved effective for protecting

³⁵ Miguel Fadul, ‘Vallenpaz: Documentación de una experiencia joven’, en Consejería Presidencial para la Política Social de la Presidencia de la República y Programa de las Naciones Unidas para el Desarrollo (PNUD) (eds), *Conflicto, reconstrucción y capital social. La política social: 1998-2002*, Bogotá, August 2002.

³⁶ Interview with Bernardo Quintero, director of *Riopaila – Castilla* sugar mills, 4 October 2002.

³⁷ Interview with Alfonso Ocampo, President of Propal – Propal Foundation, member of the Vallenpaz Board, Cali, 4 March 2004.

³⁸ Interview with Rodrigo Guerrero, Cali, 16 March 2001.

³⁹ Vallenpaz Promotional Leaflet, ‘Vallenpaz es el sueño colectivo de muchos colombianos que añoramos la paz para poder progresar con nuestro propio esfuerzo’ (Vallenpaz is the collective dream of many Colombians who long for peace in order to progress with their own effort), no date.

Vallenpaz' operations; Guerrero and fellow *Vallenpaz* members proudly point to a drop in guerrilla attacks in their region of influence.⁴⁰

In terms of motivations underlying the initiation and continuation of business-led peacebuilding, *Vallenpaz* neatly reflects the impact of cost of conflict (actual and perceived) on business willingness to engage in peacebuilding. As documented above, the sudden increase in the cost of conflict for Valle and Cauca business made an already unfriendly economic environment unbearable, and explains widespread support of a local initiative to seek an end to conflict, with the added incentive that it would specifically target areas of Valle and Cauca business operations, as opposed to, for example, nation-wide approaches.

In addition, *Vallenpaz* points to the importance of the learning process in the generation of the business initiatives under study. Guerrero's diverse professional experience has provided him with the needed know how, credibility, and contacts both for attracting local business as well as negotiating with armed actors in the target regions. Similarly, some of the most active member companies have led philanthropic organisations (such as *Fundación Carvajal*) and, thus, have institutional experience and know-how with corporate social responsibility (CSR) practices.

Third, *Vallenpaz* reflects the impact of company-specific traits on business-led peacebuilding: most are medium-sized, fixed asset (mostly agricultural) companies, which are not only context-dependent but context-specific. Few have the option to exit the economy as a strategy faced with conflict. Given their size, they are also not nationally prominent business players so as to exert pressure on policymaking in conflict management. Their choices are limited to locally-based approaches, including business-led peacebuilding. The choice is made easier by the possibility to free ride on the benefits of peacebuilding financed mainly by external – not their own – resources.

Indupalma: Magdalena River Valley

Indupalma, one of the largest companies in the palm oil extraction business, is located in the centre of the Middle Magdalena River region, which has long been a hot spot in Colombia's violent geography.⁴¹ Its over 10,000 hectares (24,752.4 acres) of palm plantations supply the national market in fats, and contribute significantly to Colombia's exports to countries such as the United Kingdom, Peru, Brazil, and Venezuela.⁴² Founded in the 1950s, *Indupalma*, and its host municipality, San Alberto, illustrate one more twist of Colombian business reactions faced with conflict.

Indupalma's relationship with conflict dates back almost to its founding. The forceful colonisation of the region and its repressive labour practices – including compulsory migrations to provide the company's workforce – put the company at the centre of numerous disputes with its workers as well as with local guerrilla.⁴³ Under the pressure of kidnappings of its company executives, in 1977 the company signed a vast labour agreement with its

⁴⁰ Interview with Rodrigo Guerrero, Director VALLENPAZ, Cali, 5 March 2004.

⁴¹ Manuel Alberto Alonso, *Conflicto armado y configuración regional: el caso del Magdalena Medio*, Medellín: Universidad de Antioquia, 1997.

⁴² Colombia is the world's fourth producer of palm oil. At present, only 180,000 hectares (445,544.5 acres) are planted, but the potential is 3.5 million hectares (8,663,366.3 acres). Interview with Rubén Darío Lizarralde, General Manager of Indupalma, Bogotá, 16 February 2004.

⁴³ Diana Fernández *et al.*, *Indupalma (AI): los primeros años, 1961 – 1977*, Social Enterprise Knowledge Network (SEKN), Business School, Universidad de los Andes, 13 May 2003.

workers, including improvements in salaries and social benefits. While the agreement overcame the company's historical deficit in the recognition of workers' legal entitlements, such as contract stability and health benefits, it also laid the foundations for a deep structural crisis of the company, as expenditures consistently outweighed income, productivity was low, and possibilities for diversification were limited.

The late 1980s and early 1990s painfully brought home the need to seek drastic solutions. While booming palm oil markets had allowed the company to prosper despite difficulties associated with its permissive labour regime and guerrilla pressure, beginning in 1988 the international price of palm oil dropped sharply while Colombia's trade liberalisation policies opened the national market to competition from foreign producers.⁴⁴ In addition, the permanent threat to its staff and products caused the company to spend significantly on security.

Climbing costs of conflict and economic hardship confronted the company with the possibility of bankruptcy. Fearing the company would close, many workers chose early retirement. Remaining workers accepted to give up some of their benefits. Even these measures proved insufficient. In what became the backbone for *Indupalma's* present corporate model, in 1995 the company, under the leadership of general manager Rubén Darío Lizarralde, took a bold step: it outsourced most of its production process to its former workers in the form of cooperatives. In exchange for the commitment to buy their output (palm oil beans), *Indupalma* sold the cooperatives equipment and seeds and acted as guarantor for credits allowing cooperatives to buy land. In addition, the company provided training in areas ranging from software use, to accounting, strategic planning, social insurance regimes, to successful leadership practices.⁴⁵ In total, in the period 1995–1999 19 cooperatives – totalling 980 workers – were founded.

Contracting out to the workers allowed the company to concentrate on its core business – exporting palm oil – while shedding its labour burden, solving problems with the union, generating local good will, and enhancing its production environment. Workers gained inasmuch as they kept their jobs and income, received training, and became property owners. Quality is ensured by the company through the periodic renewal of contracts, which are direly needed in this town where one third of the population contracts directly or indirectly with the company, and most derive at least some of their income from its presence in town.⁴⁶

The project is consistent with the company's peacebuilding rhetoric, which is centred on the promotion of wealth creation and the formation of an entrepreneurial community – turning peasants into entrepreneurs – as the solution both to economic hardship *and* conflict in the region:

Our prime interest is economical: profit. Profit for the company and profit for its partners, in this case the worker cooperatives, will have a positive effect on the establishment of a new and vigorous community.⁴⁷

The social for the social doesn't pay.⁴⁸

⁴⁴ Miguel Fadul, *Alianzas por la paz: El modelo Indupalma*, Bogotá: Programa Nacional de Alianzas para la Convivencia y la Superación de la Pobreza, 2001, p.16.

⁴⁵ Indupalma, Departamento de Planeamiento y Control, '*Indupalma S.A. ¡Sigue Adelante!*', Bogotá: Institutional Power Point Presentation, 2000. Workers who fail to attend training sessions are fined.

⁴⁶ Fadul (2001).

⁴⁷ 'Lo social paga', Indupalman Institutional Presentation, 2001.

Complementing work with the cooperatives, the company invested in several peaceful conflict resolution projects in San Alberto and neighbouring towns, including ‘Soccer for Peace’ – a game played according to rules promoting tolerance, respect for diversity, and cooperation – , training sessions in interpersonal skills, and children’s playgrounds and computer rooms.⁴⁹

In terms of the numbers of homicides, conflict levels have plummeted. Homicides, for example, have dropped from 42 per year in 1993 to a little over 10 in 1998.⁵⁰ However, a drop in homicides does not equal peace: while guerrillas have retreated from the region and have ceased to represent a threat to the company and its workers, the void has been filled by the paramilitaries. San Alberto’s mayor admitted to being under a death threat, as well as his two sons, causing him to seek the permanent protection of body guards. *Indupalma*’s general manager can only make unannounced visits while worker cooperatives face threats from both the Right and the Left.

On the economic side, *Indupalma*’s initiative shows more encouraging results: according to company managers, productivity has climbed since the implementation of the cooperative model, and the company has managed to expand its plantations up to a total of 10,345 hectares (25,606.4 acres).⁵¹ In addition, the region has experienced economic recovery. Workers can make US\$300 per month, three times the minimum salary. Even the price of land has gone up, reflecting a recovery in the security perception of the region.

The *Indupalma* cooperative model neatly illustrates the strong link between the actual and/or perceived costs of conflict, economic hardship, and a company’s decision to engage in radically innovative strategies. Most likely, the company would have collapsed in the absence of the profound restructuring effort. Hit hard by armed actors (first the guerrillas and then the paramilitaries), concentrated on fixed assets, extremely immobile, context-specific, and highly vulnerable to international price fluctuations and market conditions, *Indupalma* was not a company able to exit – or to threaten with exiting – the economy or big enough to force a protective response by the weak Colombian state in this region of the country. ‘Stuck’ in this stateless region, where the company owned vast extensions of land and remains the main economic driving force, as well as one of the main sources of local authority, sunk costs increased the stakes of shutting down the company and made corporate innovation – in this case with a peacebuilding twist – feasible.

Peace Group, President’s Forum: Bogotá

Bogotá has for long remained somewhat of a safe haven in Colombia’s violent landscape, displaying a level of crime and delinquency common in cities in the developing world, but not the kind of systematic, politically-shaped violence related to the internal conflict that dominates the countryside. In this setting, significant portions of Bogotá business activity – accounting for the largest percentage of entrepreneurial activity in the country as percentage

⁴⁸ Interview Rubén Darío Lizarralde (2004).

⁴⁹ Fernández *et al.* (2003).

⁵⁰ Fadul (2001), p.56.

⁵¹ Rubén Darío Rizaralde, ‘Visión prospectiva de Indupalma S.A.’, downloaded from the Centro de Pensamiento Estratégico y Prospectiva, Business School, Universidad Externado de Colombia, p.3, at <http://administracion.uexternado.edu.co/centros/pensamiento/matdi/Visi%C3%B3n%20Prospectiva%20de%20Indupalma.doc>.

of GDP – ⁵² could develop unaffected by conflict. Even the 1989-1990 wave of bomb attacks – organised by Medellín drug-traffickers seeking to deter the government from pursuing extradition of criminals to the U.S. – hit civilians and governmental targets, but left private sector assets, such as factories and production networks, intact.

However, the increase in nation-wide levels of violence beginning in the mid 1990s, the growing boldness of guerrilla attacks, and the perceived incapability of the Armed Forces to stem the guerrilla's advances, took a toll on the perception that Bogotá was immune to the conflict and illustrated the progressive encroachment of conflict on the city as well as the profound weakness of the Colombian state.⁵³

Against this background and as an outgrowth of Colombian business' enthusiasm for – and high expectations about – President Andrés Pastrana's peace process with the Marxist FARC guerrilla, a consortium of Bogotá company presidents organised a working group in 1999 to explore areas of possible intervention in the capital city to contribute to peace. Members of the private sector 'Peace [Working] Group' were all affiliated with the Bogotá Chamber of Commerce's President's Forum, an organisation of 140 companies founded in 1989. While the Chamber has over 10,000 members with operations in a wide variety of sectors, only medium-to-large-size companies, with annual sales over two million US dollars, were invited to the President's Forum, and only eleven of its members became part of the Peace Group.

The Peace [Working] Group became explicitly involved in a search for peacebuilding mechanisms at the local level. Corporate responsibility in seeking an end to conflict had not been a part of their concerns up until then. "We were all very busy, [we thought] that's for psychologists, for ladies",⁵⁴ one Peace Group member recalls. However, the profound economic crisis and the intensification of the conflict became catalysts for the changing perceptions of this group. Instrumental in this shift was a young inspiring community leader, Daniel Suárez. Trained in peaceful conflict resolution and guided by the conviction that lasting peace depends on private sector commitment, Suárez, although not a businessman himself, sought to generate a successful business initiative in peacebuilding for other business sectors to model their behaviour after.

In joint working sessions, the Peace Group agreed that it should concentrate on an area the President's Forum had already developed an expertise in: state schools. Regardless of the duration of the conflict, members agreed that investing in education would contribute to the country's transformation. In addition, members insisted that interventions should also involve their own companies, as experiences and sources of educational value. It was decided that the group would:

lead processes of participation among business to contribute to building a culture of peace and coexistence in entrepreneurial and educational settings, and seek to add value to the larger purposes of the President's Forum.⁵⁵

Specifically, the group aimed to contribute to peacebuilding by developing peaceful conflict resolution skills in member schools and companies with an eye to fostering entrepreneurship

⁵² Secretaría de Hacienda Distrital, Dirección de Estudios Económicos, 'Actualidad Económica de Bogotá', Third Trimester 2002.

⁵³ Vicepresidencia de la República, Observatorio de Derechos Humanos y Derecho Internacional Humanitario, *Panorama actual de Cundinamarca*, Bogotá: Fondo de Inversión para la Paz, December 2001.

⁵⁴ Interview with Camilo Almonacid (2002).

⁵⁵ Grupo de Paz del Foro de Presidentes Cámara de Comercio de Bogotá, Institutional Power Point presentation, no date.

and improving productivity. In the words of one Peace Group member, “we need entrepreneurship to offset the negative impact of conflict; productivity equals peace”.⁵⁶ Explicit here was the expectation that improved economic performance would enhance the likelihood for constructing lasting peace.

After facing resistance by the Chamber of Commerce in 2001, which feared competition for other ongoing projects that also concentrated on conflict resolution curricula in education, Peace Group members provided the project with new impulse by creating the *Programme of Productive Coexistence*, a splinter group independent from the President’s Forum and the Chamber of Commerce, but identical in its original membership and mission. Further illustrating the split between the Forum and its previous host (the Chamber), in February 2004 the Forum proclaimed its independence from the Chamber constituting itself as an autonomous organisation.

In terms of the Peace Group’s activities, again Suárez’s input was crucial in steering the transformation from Chamber subsidiary to autonomous initiative. Working full time on convincing member companies and schools to cling to the project, he was able to enlist the support of seven companies and five schools (of a total long term goal of forty, each), that are now developing the projects under Suárez and his co-workers’ guidance. His work centres on achieving financial viability for the Productive Coexistence foundation by raising donations and selling its services. Group members uniformly acknowledge Suárez’s engagement.⁵⁷

While intra-institutional rivalry raised doubts about the sustainability of the Peace Group’s activities, the creativity of its leadership, the organisational autonomy of the group, and the ongoing support by founding business members has provided new opportunities for the group’s transformation and the continuation of its work. As in other cases, it is too early to know whether this model of peacebuilding will endure; however, important steps have been taken towards its consolidation.

Entretodos (Among All Alliance), Proantioquia: Medellín

At the beginning of the 1990s, the city of Medellín was the epicentre of urban violence in Colombia, with a homicide rate above 230 per 100,000 inhabitants in the early 1990s, topping the list of most violent cities in the world.⁵⁸ Poor Medellín youth served as mercenaries of the drug mafias and were also becoming increasingly attracted to urban factions of the leftist guerrillas and the rightist self-defence groups.⁵⁹

The persistence of violence in the city and its cost to business in terms of safety and productivity kept concern over violence high, especially with respect to its cost for economic performance. Prior business experience with local attempts to address conflict had been unsuccessful. In the early 1990s, for example, an attempt by the Colombian presidency to

⁵⁶ Interview with Francisco Manrique (2002).

⁵⁷ Interview with Francisco Manrique (2002).

⁵⁸ María Victoria Llorente & Angela Rivas, ‘An Overview of Crime and the Criminal Justice System in Colombia’, in Tedd Leggett & Lucia Dammert (eds), *Project on Latin American Criminal Justice Systems*, Draft, 20 February 2004.

⁵⁹ Carlos Miguel Ortiz, ‘El sicariato en Medellín: Entre la violencia política y el crimen organizado’, *Análisis Político*, 14 (September-December 1991), pp.60-73; Ramiro Ceballos, ‘Actores recientes del conflicto armado en Medellín’, *Desde la Región*, 25 (April 1998), pp.5-8.

enlist private sector support for local demobilisation programmes, in the form of job creation and training for disenfranchised youth,⁶⁰ failed calamitously.⁶¹

As neither violence nor economic crisis subsided, in 1996, a local business think tank and foundation, *Proantioquia* (*Fundación para el Desarrollo de Antioquia*) made a new attempt to include the private sector in local solutions to conflict, founding *Entretodos*, an initiative inspired by corporate social responsibility principles and intended to promote coexistence (*convivencia*) in the city of Medellín. *Proantioquia*'s members include some of the region's largest and most traditional companies. Many of these companies have philanthropic foundations, including *Éxito*, the country's largest retail player, *Bancolombia*, one of the country's largest banks, insurance giant *Suramericana de Seguros*, *Concreto*, a construction company, and *Corona*, which leads national ceramics production.

Medellín's violence being primordially a phenomenon of poor, disenfranchised youth, few of these companies had been specific targets of conflict. In this sense, *Entretodos* was more a preventive measure in a context of generalised and increasing violence than a response to an explicit attack. Still, the need for investing in peace as a measure of protection was intense: In the words of *Entretodos*' founder:

[T]he question was clear; they [*Proantioquia*'s members] came and asked 'what do I need to do so they don't plant a bomb [in my office or factory]?' (...) Shall I bring the Army or do I build six schools?⁶²

In contrast with private sector involvement in the early 1990s that targeted violent youth as a specific sector of the population, *Entretodos*' goal was to lower citywide levels of violence with a comprehensive programme to promote conflict resolution and good governance overall. With the participation of NGOs, the Catholic Church, the police and the mayor's office, business people and their representatives designed a broad-based programme built on four themes: corporate social responsibility, civic participation, peaceful coexistence, and communication skills, grouped under the Security and Peaceful Coexistence Programme (*Programa de Seguridad y Convivencia Ciudadana*). Central to the proposal was the belief that "peace and coexistence are the best investment to make social development and economic growth possible".⁶³ Their goal was that peaceful coexistence be turned into public policy. Thus, hopes ran high when mayor-elect Juan Gómez Martínez (1998-2000) committed to turn this into his administration's flagship programme.⁶⁴ Providing an important boost to the project, the Interamerican Development Bank (IADB) committed fifteen million US dollars.

⁶⁰ Presidencia de la República, Programa Presidencial para Medellín y su Área Metropolitana, 'Medellín: En el camino de la concertación – Informe de gestión (1990-1992)' no date; Presidencia de la República, Dirección del Programa Presidencial para Medellín y su Área Metropolitana, *Medellín reencuentro con el futuro*, Documento CONPES 1992–1994, no date; Consejería Presidencial para Medellín y su Área Metropolitana, IV Seminario 'Alternativas y estrategias de futuro para Medellín y su área metropolitana', September 1995; Consejería Presidencial para Medellín y su Área Metropolitana, *Medellín: Alternativas de Futuro*, 1992.

⁶¹ Juan Gonzalo Betancur, 'Un experimento complejo en vía de perfeccionamiento: El proceso con las milicias populares', *El Colombiano*, 25 February 1995; Interview with Jorge Orlando Melo, former Presidential Advisor for Medellín, 4 April 2002. Luis G. Pardo, *Reinserción Antioquia*, Medellín municipal administration, 18 October 2001. For a detailed description of this process, see Rettberg (2004).

⁶² Interview with Beatriz White (2004).

⁶³ *Entretodos* institutional presentation folder.

⁶⁴ Alcaldía de Medellín, *Programa de Convivencia Ciudadana*, Medellín, February 1999.

However, once the new administration was in office, *Entretodos* clashed with the inefficiencies of public administration, which delayed implementation, modified the project's components, and took control of the programme:

People were frustrated with the politicking. They [the administration] lacked political will, it wasn't a priority for them. And IABD oversight was not effective at exerting pressure. [...] For us, public-private cooperation was a disappointment. We shouldn't have handed over our project.⁶⁵

Following this clash between the world of business and the world of politics – where negotiation and compromise, rather than productivity and efficiency, reign supreme – companies retreated into their own organisations, focusing on their workers and on only a few target populations, such as youth, and on productive linkages in peripheral areas of town. As a result, while several components of the programme remain in operation, *Entretodos*'s project failed to turn into a citywide initiative. In all, *Entretodos*' director claims to be directly and indirectly targeting 30,000 people, in the workplace and the community⁶⁶ (amounting to only 1.5 percent of Medellín's population, the original goal of their coexistence programme).

While other cases presented in this document show the mutual advantages of public-private cooperation in peaceful initiatives, the case of *Entretodos* stands out as a failed effort to coordinate public and private goals. In part, this was due to the nature of the project involved. "They need to be doing things that resemble what they normally do", said a former Advisor for Medellín.⁶⁷ Designing a city-wide programme for peaceful coexistence clearly distracted companies from their core activities, failed to build on – and complement – company expertise, and required a significant investment of time and resources which, when confronted with the difficulties of public administration and once beyond their control, promptly ran out of steam.

In addition to the complications of dealing with public administration and their unwillingness to modify their programmes, the fact that *Entretodos*' members had largely been spared by local conflict helps explain the smooth transition from the city-wide scope of their coexistence programme to more company-specific CSR activity. In the absence of direct threats, the need to pursue and persist with city-centred peacebuilding was not perceived as urgent. While *Entretodos*' mission clearly links peace to productivity – and in that way sends the message that even when not directly targeted by conflict business may gain from peace – in practice, the possibility to circumvent the associated costs proved more convincing.

As in previous cases, *Entretodos*' most active members have built on their CSR experience, which they fell back on when the experiment in public policymaking failed. This not only illustrates the importance of their institutional trajectories, which both facilitated their decision to promote city-wide peaceful coexistence and provided an appropriate infrastructure to continue their work in after their frustrated encounter with the municipal administration. In this way, institutional know how in CSR provided an adequate basis for transforming while maintaining – instead of ending – member companies' commitment to addressing problems of their social environment.

⁶⁵ Interview with Beatriz White (2004).

⁶⁶ Interview with Beatriz White (2004).

⁶⁷ Interview with Jorge Orlando Melo (2002).

Finally, *Entretodos*'s experience is important as it illustrates the many choices confronting business when faced with conflict. In the words of its director, despite their commitment to peacebuilding:

[companies] will not stop paying for security or getting insurance against a bombing attack. (...) Nobody is as naive as to think that by building schools you avoid an attack on your factory.⁶⁸

This realism puts peacebuilding as a private sector response to conflict into perspective, as it underscores the dispassionate assessment of costs and benefits undertaken even by companies in violent contexts, suggesting that peacebuilding is but one of many possible strategies.

The Context And The Company: Factors Shaping Business Preferences For Business-Led Peacebuilding At The Local Level

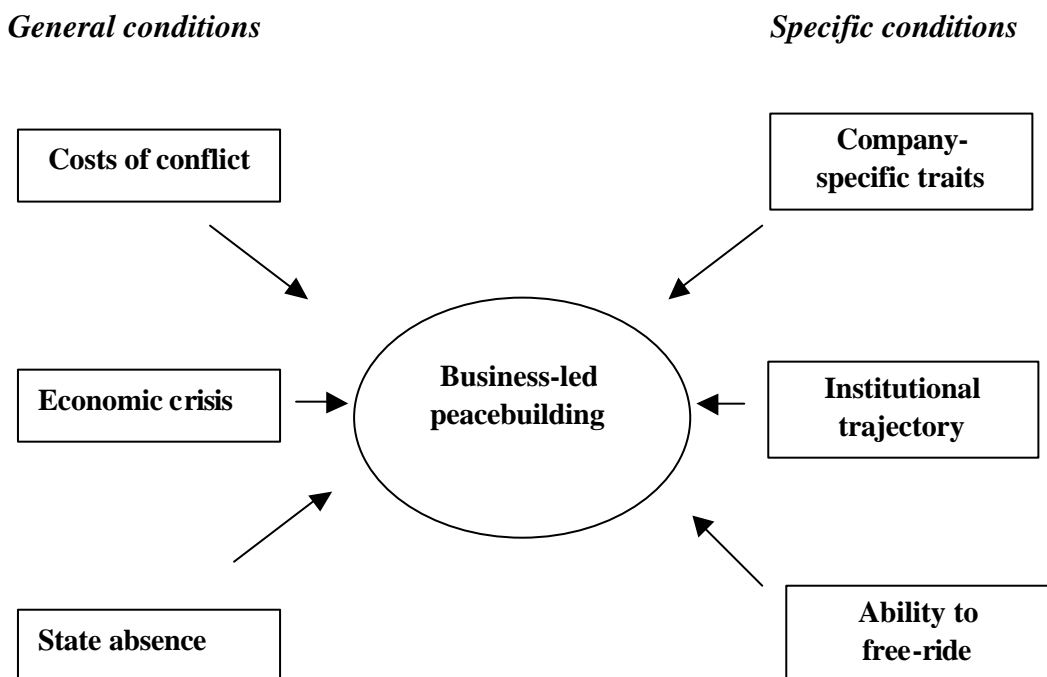
Although the four cases discussed above differ in many ways, they share a common theme of corporate peacebuilding initiatives. Methodologically speaking, they are quite unique cases. They represent best-case-scenarios of corporate peacebuilding because they have endured, in contrast with private sector pro-peace activism, generally, and with other business initiatives, specifically.

The cases offer important insights into what may explain business-led peacebuilding as a corporate strategy in contexts of conflict. As illustrated in Figure 2, two groups of factors appear to play important roles in fostering business-led peacebuilding. One group of factors relates to context, which in the Colombian case combined an increase in conflict costs, a severe economic downturn, and state absence both in specific regions as well as in key policy areas. While these are necessary factors for business-led peacebuilding to occur, they are in and of themselves insufficient, as most Colombian companies face the same challenges but only a few respond with a peacebuilding strategy. In addition to context, company-specific characteristics matter. The following sections will discuss the most salient of these factors: company sectoral affiliation, size, mobility, and location (which are important for identifying the availability of alternative courses of action for companies faced with conflict), philanthropic background and know how (which point at the institutional trajectories and learning processes fostering business-led peacebuilding), and ability to free ride on external – as opposed to making available one's own – resources (financial and other).

First and foremost, an intensification of conflict costs – actual or perceived, general and specific – was crucial in prompting the business-led peacebuilding initiatives described above. The massive kidnapping in the case of *Vallenpaz*, pressure by leftist guerrillas in the case of *Indupalma*, the urban violence epidemic in Medellín, and the perception of a nation-wide increase in conflict in the case of Bogotá, vividly conveyed to companies their growing vulnerability and propelled them to take action. Conversely, the tangible results yielded by president Uribe's security strategy has heightened a sense of confidence in their safety, dampening interest in peacebuilding activities as conflict drops in priority among private sector concerns.

⁶⁸ Interview with Beatriz White (2004).

Figure 2. Factors shaping preferences for business-led peacebuilding.



Combined with bleak economic prospects or economic crisis, conflict costs became increasingly unbearable. Most clearly illustrated by the cases of *Indupalma* and *Vallenpaz*, economic recession and an actual increase in the cost of conflict proved crucial for explaining their choice of peacebuilding strategies. More explicit in the case of *Indupalma* than in the case of *Vallenpaz*, local peacebuilding was a corporate survival strategy, illustrating the potentially creative impact of crisis in sparking innovative strategies. In the cases of Bogotá and Medellín, there were also links between economic recession, high conflict costs, and peacebuilding although local circumstances were less dramatic. All four cases share an expectation of a clear link between peace, increased productivity and resumption of economic growth.

State absence is the third element of this peacebuilding context trilogy. Without exception, the business-led peace initiatives were a response to the lack of local state presence. Public authorities were not only unable to provide protection to companies from kidnappings, extortion, and other attacks, but were also ineffective at addressing social and economic conditions perceived to cause local populations to either join or support illegal armed actors. Whether addressed explicitly – as in the case of *Vallenpaz*, which lists institutional rebuilding as one of its objectives, or in the case of Medellín, where *Entretodos* emerged as a response to the lack of a city-wide coexistence programme, or in the case of the Bogotá Peace Group, which seeks to foster peaceful coexistence in public schools – or an indirect result of their actions – as in the case of *Indupalma*, which substitutes state functions in areas such as citizen empowerment, peaceful conflict resolution, and education – the business-led peace initiatives compellingly bring home the Colombian state's poor performance in crucial areas such as security and socioeconomic development.

Compounding these context-related factors is a group of more company-specific traits, which illustrate how conflict and economic recession hit companies and sectors differently, affecting their preferences and shaping their strategies. Notably, conflict and economic recession were

most deeply felt in the two rural cases of *Vallenpaz* and *Indupalma*. In contrast, the urban Peace Group (Bogotá) and *Entretodos* (Medellín), albeit concerned with growing conflict levels, had not been direct targets of conflict and reacted more in line with president Pastrana's peace process enthusiasm (Bogotá Peace Group) or with general CSR concerns in a deteriorating social and political environment (*Entretodos*). Perhaps unsurprisingly, these two cases have experienced the greatest difficulty in sustaining their efforts.

In addition to the rural/urban distinction, the lack of mobility and fixed assets of companies such as *Indupalma* and several of the *Vallenpaz* members limit the number of feasible and effective alternative strategies in a conflict context. Exit or even relocation is an unlikely option for these context-specific companies. Moreover, small to medium company size, as described in the case of the Bogotá Peace Group, further limits the prospects of succeeding abroad or switching investment because of high dependence on local social, legal, and economic networks and low investment capacity. Due to their size, companies are tied to succeeding in the domestic market. The availability and feasibility of alternative options thus provides an important incentive for peacebuilding action. Company strategies faced with conflict are confined to those that can be implemented on the spot.

With the exception of *Indupalma*, in which the depth of the two crises alone seemed to be sufficient to produce the peacebuilding strategy, all business-led peace initiatives are based on and sustained by the previous philanthropic experience of their member companies. *Fundación Carvajal* (in the case of *Vallenpaz*), the President's Forum (in the case of the Peace Group), and the numerous foundations of *Entretodos*' corporate members indicate that the learning process associated with business philanthropy supports and facilitates decisions to engage in peacebuilding, which provide obvious synergies with other aspects of the broader relationship between companies and their social, political, and economic environments and generates institutional capacity and disposition for peacebuilding activity. Put differently, philanthropic experience has created an incentive structure that makes it more likely for business to engage in peacebuilding and harder to let go or withdraw from their peacebuilding trajectory.

At the same time, philanthropy is not immune to setbacks. In Medellín, consecutive failures in the attempt to engage the private sector in peacebuilding caused potentially interested companies to retreat into the domain of their own organisations, distancing themselves from public-private partnerships. Like any other business enterprise, peaceful initiatives are result-dependent and reversible strategies, which points to the importance of early and sustained success in enhancing their viability.

Finally, the ability to free ride is an important element of private sector participation in peacebuilding. Most clearly illustrated in the case of *Vallenpaz* and the Bogotá Peace Group, peace is a public/collective good that provides actors with incentives to free ride (on international cooperation funds in the case of *Vallenpaz* and on an external institution's financial support of the coordinator's work in the case of the Peace Group). In the absence of a severe threat, or in the presence of improved security conditions, companies will probably abstain from investing resources in peacebuilding. If external resources, in the form of 'buffer' capital (domestic or external), are available to sustain peacebuilding action and if public-private risk sharing is an option, companies can benefit and take the credit, and will most probably free ride. The Bogotá Peace Group provides an important caveat to this respect. While free riding was the dominant characteristic until recently, the expectation that the joint programme may turn out to be effective has generated collaborative behaviour on

behalf of its members, illustrating a learning process at work as well as a shift in the incentives structure.

The previous factors not only provide guidelines as to what motivates business-led peacebuilding, but also indicate what may cause peace initiatives to prosper in one place but not another, in this way providing inputs for a ‘best practice’ approach to policymaking. Clearly, an ongoing perception of threat is an important factor explaining business commitment to peacebuilding initiatives. Neatly reflected in the slimming of the public agenda on peace issues ever since violence levels have dropped and the economy has improved, the reduction of threat makes it more difficult to maintain a peacebuilding momentum. Specifically, it has been increasingly hard for business-led peacebuilding promoters to obtain material – as opposed to rhetorical – support from business members. Only in those cases where a potential deterioration of conflict looms over local conditions, such as in Valle and in the Middle Magdalena River Region, the effort continues.

In addition, peacebuilding is more likely to prosper when it addresses issues of direct relevance to involved companies, such as worker training, community relations, strengthening of local distribution networks, and other forms of raising productivity and profitability. Business, after all, has a mandate to be profitable and is generally risk-averse; it will most likely not engage in peacebuilding behaviour where this is completely unprofitable or unrelated to core activity. As a result, business-led peacebuilding can only be a by-product, not the main purpose of corporate strategy. Devoid of these considerations, it risks failing to enlist more than charitable support. This link between peacebuilding and company core activities is also a call for caution for philanthropic organisations. While the cases suggest that philanthropic learning processes are an important basis for peacebuilding to take place, the more it is linked to, builds on, and complements company-related activities the better the chance it will avoid degenerating into window-dressing.

Finally, the ongoing availability of external resources provides an important incentive for durable business-led peacebuilding. In most cases, involved companies were the least responsible for generating the bulk of resources underlying peacebuilding activity. As most clearly demonstrated in the cases of *Vallenpaz* and the Peace Group, were it not for the availability of external funds, these experiences would have faced great difficulty to consolidate.

Implications For Practice And Theory

In this paper I have addressed a simple question: What motivates business-led peacebuilding? It has found that, while the majority of Colombian companies do not take part in these efforts and the number of private sector peacebuilding experiments has dropped in the past few years, several initiatives remain active and offer important lessons for scholars interested in tracking the formation of business political preferences, as well as policymakers interested in attracting the private sector to the crucial but difficult peacebuilding task.

As should become clear, altruism is a minor element of business motivations. While all the business initiatives express an interest in supporting development at the local level in order to contribute to peacebuilding, a closer look reveals that these initiatives also represent innovative and quite pragmatic solutions to the specific needs of companies faced with conflict. This is good news for policymakers, as it widens the pool of potential private sector peacebuilding partners beyond a few inspired and charismatic individuals and foundations. In

particular, it suggests that specific contexts as well as specific company traits represent important opportunities for engaging the private sector in peacebuilding, as is widely recommended by the academic and practitioner's literature.

Notably, my research suggests that the relationship between business and peace is multi-faceted and variable. For example, business-led peace initiatives may be independent of what goes on – or fails to go on – in terms of private sector participation in formal peace talks. The business initiatives described here continued even in the absence of talks and remain focused on local processes instead of national dialogue.

Scholars interested in tracking the formation of business political preferences will find support for the institutionalist premise that context affects business faced with conflict in quite different ways, providing constraints and facilitating conditions that make the choice to participate in peacebuilding more or less likely and that underlie intra-organisational learning processes. Tracking the formation of these preferences in the specific cases under study is one of the most important contributions made by my research, and suggests the usefulness of unpacking the amorphous and general category of 'private sector' faced with conflict.

My research has important implications for other areas of knowledge. One of these is the relationship between business and the state. In line with a rich body of work on the weak nature of the Colombian state,⁶⁹ the cases discussed here point at state weakness as a propelling factor for business-led peacebuilding. In fact, business initiatives, as most clearly demonstrated in the cases of *Vallenpaz* and *Indupalma*, become local-level state substitutes, adopting functions and responsibilities that tend to be ascribed to the state's exclusive domain. These 'authority alternatives', as described by related Crisis States Programme research,⁷⁰ pose important questions regarding state strength and legitimacy. Indeed, while business-led peacebuilding initiatives may be filling the void left by the state, they may also be contributing to new crises because they are not held accountable, because they may potentially deepen existing regional inequality in terms of state attention and services, and because, by taking on the responsibility to lead local development and peacebuilding processes they are, in a way, letting the state off the hook (failing to exert pressure on the state to fulfil its functions properly).

The reverse argument also finds support in the cases discussed here. For the consumer of public services – the citizen – it may ultimately be irrelevant who is satisfying his/her needs. If the involved actor shrouds his/her activity in a statebuilding cloak, the state may indirectly – perhaps undeservingly – become the actual beneficiary of business-led peacebuilding. As clearly shown in the cases of the Bogotá Peace Group and *Vallenpaz*, progress in local development (*Vallenpaz*) and in public education (Peace Group) may work to the credit of the state. Instead of further weakening, local business-led peacebuilding might then actually contribute to strengthening the state.

⁶⁹ See, for example, Ana María Bejarano, 'Recuperar el Estado para fortalecer la democracia', *Análisis Político*, 22 (May-August 1994); and Francisco Leal, 'El Estado colombiano: ¿Crisis de modernización o modernización incompleta?', in Jorge Orlando Melo (ed.), *Colombia Hoy: Perspectivas hacia el Siglo XXI*, Bogotá, Tercer Mundo Editores, 1995.

⁷⁰ Ann Mason, 'Constructing Authority Alternatives in Colombia: Globalisation and the Transformation of Governance', *Crisis States Working Paper*, 40, London: Crisis States Programme, London School of Economics, 2004.

In the context of the CSP, this points at how initiatives like the ones described here contribute to overcoming crisis, especially at the local level, but perhaps also at the national level, which is built on widely distributed pockets of legitimacy. In this way, these local-level private sector initiatives would neatly illustrate a dynamic whereby an engaged, activated civil society – regardless of motivation – can make an important contribution to Colombia’s quest for a lasting socio-political solution to its conflict.

Further research will have to address remaining voids in this research, such as an additional set of cases, the actual (quantifiable) impact of these initiatives on local conditions, and the inner workings of companies engaged in peacebuilding. In addition, further research will have to test some of the implications listed above.

For most in the Colombian business community, business-led peacebuilding, if at all considered, is “a Sunday support, something you do when you are off work”.⁷¹ In addition, what little peacebuilding there had been collapsed under the weight of an improvement in security and in economic conditions, which put into question the peacebuilding dividend. However, as a Cali business man legitimately contends, “it is not true that we all sit with our arms crossed, that nothing is being done, or that everybody is living in Miami”.⁷² As reflected in the cases studied here, this assertion is correct. By focusing on the impact of context and on clearly visible company traits this research has provided an important first step in understanding Colombian business-led peacebuilding. These insights provide important directions for fostering business participation in an eventual peace construction effort.

⁷¹ Interview with Jorge Orlando Melo, former Presidential Advisor for Medellín, 4 April 2002.

⁷² Interview with Manuel José Carvajal, Member Administrative Council, Carvajal Foundation, March 2004.

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- ❶ We will assess how constellations of power at local, national and global levels drive processes of institutional change, collapse and reconstruction and in doing so will challenge simplistic paradigms about the beneficial effects of economic and political liberalisation.
- ❷ We will examine the effects of international interventions promoting democratic reform, human rights and market competition on the 'conflict management capacity' and production and distributional systems of existing polities.
- ❸ We will analyse how communities have responded to crisis, and the incentives and moral frameworks that have led either toward violent or non-violent outcomes.
- ❹ We will examine what kinds of formal and informal institutional arrangements poor communities have constructed to deal with economic survival and local order.



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