



**Asia-Pacific  
Economic Cooperation**

# Corporate Social Responsibility in the APEC Region

## Current Status and Implications

**Economy Paper:  
Peru**



**ECONOMY PAPER ON  
CORPORATE SOCIAL RESPONSIBILITY (CSR)**

**Peru Economy Report**

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## **I. Origins of CSR thought and practice in the Peruvian economy**

The evolution of the concept Social Responsibility in Peru has been influenced by various developments in accordance with the political, social and economic environments of Peruvian history.

The first historical antecedent of the modern Social Responsibility concept emerged in the pre-Hispanic times when the principle of *Andean Reciprocit*<sup>i</sup> practiced by ancient Peruvians, who sought to promote an associative and collaborative spirit. This organizational system influenced both the production system and the distribution of resources, and was based on reciprocal obligations within traditional relationships among the family-based communities of the Andean society. Notions of reciprocity repeated themselves within the economic and social systems across the socio-economic strata, but these traditional behavioral norms were altered by the Spanish conquest of Peruvian territory. This resulted in the Andean civilization being dislocated and subjugated by the conquerors, thereby diminishing the quality of life and ethnic identity.

By the middle of the sixteenth century, the arrival of the Spaniards brought about the establishment of the Viceroyalty of Peru, an organizational system that submitted the old Andean society to Spaniards and prevented it from developing its own cultural identity. In this context, the Catholic Church had the mission to evangelize the local population while at the same time promoting the activities of a philanthropic and charitable character,<sup>ii</sup> such as the promotion of disinterested donations of time and money. In this manner, the role fulfilled by the Catholic Church was fundamental to motivating society to help the neediest sectors and to promote initiatives within the religious congregations which offered assistance, education and health services to these sectors until the nineteenth century.

The presence of brotherhoods or fraternities across the different social strata constituted

another of the approaches that Peruvian philanthropy adopted in colonial times. These organizations grouped people belonging to different unions (tailors, carpenters, among others) for the purpose of carrying out religious activities, charitable actions, the reception of rents and trustee work. On the other hand, the colonial elite assumed an important role in the completion of works of charity and social help through their economic contribution.

By the middle of the twentieth century, the communication relationships between the Government and the private sector grew particularly positive since they encouraged the growth of private investments in industry, especially in the sector of Peruvian mining. This stability was not sustained, since at the end of 1968 a military-style government assumed power and sought to implant state reforms in the Peruvian economy.

The historical panorama of those times influenced the practices of Peruvian companies, in accordance with the historical scenarios and conditions of the time.<sup>iii</sup> Thus, in the 1970s, the economy was in the hands of a military government that tried to gain strength through a strategy of nationalizing the diverse Peruvian companies that had been previously managed by the private sector. These measures not only harmed the private companies but also the large farm owners, who had to acquiesce to the military government's state-initiated reforms of that time. The reforms diminished private investments, intensified the economic crisis, and led to the formation of leftist groups. They also provided powerful incentives for managers to alter how they ran their businesses, in order to minimize the disruption brought about by the circumstances of those times.

The reforms imposed by the military government were formalized in law in the political constitution of Peru, in effect creating additional economic uncertainty for Peruvian managers. Management discretion was further inhibited as the military government promoted the creation of workers' unions for the purpose of influencing the decisions made by the companies.

Thus, the cumulative impact of these reforms was to create an environment that was setting hostile to the interests and activities of business, with the government's anti-private business stance placing Peruvian entrepreneurs in a mere survival mode. In this circumstance it was difficult to conceive of an enterprise that was concerned about its environment or its broader social responsibilities, given that it had first to contend with its very survival in the market. Nevertheless, the oligarchic families continued looked for ways to promote philanthropic activities, mainly through charitable actions of a paternalistic nature directed at the needy.

In the 1980s, the Peru experienced severe economic recession and political violence that promoted extreme reactions on the part of the public authorities. Amidst this strife, the population viewed private enterprise as an enemy<sup>iv</sup> of national development, while government took on the role of 'protector.' Amidst such circumstances, private companies were pressed to find ways to survive, and it became impossible to adopt a strategy with social responsibility as a main objective. The foremost concerns of business continued to be first was to continue survival, and secondly becoming accepted by society as a whole as a legitimate social and economic actor.

The 1990`s were characterized by further economic reforms and recovery in the context of increased political stability under the rule of President Alberto Fujimori. These reforms, in particular, provided an environment of greater certainty to Peruvian entrepreneurs, while it was expected that the private sector would contribute to the resolution of domestic, social problems through the provision of the enterprise's resources for society's good.<sup>v</sup> These expectations were directed at the private sector as Government, for its part, geared its efforts toward the reduction of poverty and the achievement of sustainable development. Amid this political context, the private sector became an allied with the Administration, especially in the resolution of social problems.

Overall, developments including the end of terrorism, greater stability of the Peruvian economy and globalization, spurred companies to adopt a new position in the face of changes

present in the environment. Companies began to incorporate these new changes, including their position and commitment to the social environment, in their strategic planning.<sup>vi</sup>

In these new circumstances, private companies felt compelled to contribute to the economy's development by carrying out social work within their spheres of influence. This new propensity contributed greatly to the adoption of responsible practices on the part of Peruvian companies with respect to the community, the environment and their workers. Often, private companies sought to establish an alliance with civil society organizations whose objective they shared, a desire that motivated the private sector to create its own foundations.

A significant development was the creation of the organization Peru 2021, whose mission was to develop and propagate a long-term vision for Peru, in which companies would become a major development engines of development incorporating social and environmental responsibility into their core administrative systems, thereby contributing to the improvement of the overall quality of life, international competitiveness and a better environment. Specifically, Peru 2021 tried to reflect a series of objectives promoting a better quality of life, respect for the law, solidarity and a sense of social community, among others. Responsibility for philanthropic activities, on the other hand, was assumed gradually by the managerial sector, through the creation of denominated corporate foundations that steered their activities toward welfare and the generation of sustainable development in geographical areas of influence.

In summary, the concepts of social responsibility were adopted by the Peruvian private sector in response to society's demands. The formation of alliances with the government permitted critical needs in various sectors of society to be addressed. Also, the appearance of organizations that promoted social responsibility in companies contributed markedly to the advancement of the CSR movement at the national level, thus increasing the number of managerial initiatives and socially responsible institutions.

Currently, many Peruvian companies are becoming more seriously involved in the

promotion of Corporate Social Responsibility. Some merely use the concept as a guide for the implementation of projects in favor in the communities where they operate, behaviour which can reinforce traditional paternalism. For other companies, the subject of social responsibility means, primarily compliance with the current legal framework. Such companies, therefore, implement social responsibility initiatives only insofar as they are required by the regulatory requirements. Nevertheless, there exist companies that take CSR beyond the dimensions set by law. They have adopted the concept internally aligning it with their critical management process and activities, and they practice social responsibility both towards and in conjunction with their collaborators, in their processes and internal activities. By doing so, they are able to project it toward society as a whole.

## **II. Scope of current CSR practices**

Today, private Peruvian companies are concerned that the social challenges created by the local environment will undermine business performance. Their social responsibility undertakings have taken on various forms such as donations of goods and money to support the community (health, education, and environment) and other activities such as the development of recreational, scientific and technological activities, and the promotion and support of micro companies.

The private sector manifests a series of characteristics that indicate how much CSR has been incorporated in the organizations. According to studies conducted by Portocarrero and Sanborn<sup>vii</sup>, two of the main characteristics of this sector are the lack of an institutionalized commitment with regard to CSR, as well as the negative reaction to the proposal to establish socially responsible practices within the organization's management. These two characteristics help in explain the other characteristics of CSR's practices identified in this study, such as the low-level of investment by private organizations in the development of activities to promote the corporate social responsibility. Another characteristic brought

to light by these same studies is the lack of involvement among the personnel of private companies in activities of a voluntary nature, as well as the absence of personnel dedicated exclusively to managerial social responsibility across the organization.

The Peruvian economic sectors more closely linked to CSR undertakings are mining and energy.<sup>viii</sup> Companies belonging to these sectors promote the use of domestic natural resources and, at the same time; demand that the handling of these resources should avoid inflicting damage on the environment. In the case of the mining companies, there are the PAMAs (Programs of Regulation of Environmental Handling) that identify the necessary actions in implementing programs and other measures in the mining operations to reduce or eliminate the effects or damage on the environment. They advocate observing the maximum permissible limits where the environment is concerned, Likewise, many mining companies have adopted internal and external plans and programs of social responsibility that are reflected in the denominated Social Memoirs or Social Balance through which they intend to inform their stockholders of the direction of their activities and their impact on the environment.

The Peruvian mining companies have had to struggle against the negative perception that the public had of them, a perception stemming mainly from such arguments as pollution and damage inflicted on the environment; the idea that they do not generate value for the economy and fail to promote development in their communities. In view of this situation, the mining sector has striven to use clean technologies that do not wreak havoc on the environment. It has also begun to signify interest in the creation of a culture of protection over the environment.

In the case of the extractive and energy industries,<sup>ix</sup> the changes that they have implemented as a consequence of their adoption of managerial social responsibility have taken on the form of a restatement of their communication strategies for the communities living in their areas of influence. They have also started to invest in social and infrastructure

programs in the very members of these communities so that these communities can achieve sustainable development further than the company can take them. It is necessary to mention that the companies associated with the Sociedad Nacional de Minería, Petróleo y Energía (National Society of Mining, Petroleum and Energy), have adopted and assumed a Social Responsibility Code of Behavior where they declare their responsibility to their external and internal environments.

### **The Amanco Case**

One of the socially responsible initiatives in the Peruvian private sector is the initiative of Grupo Amanco del Perú, which is dedicated to the production and commercialization of complete solutions to projects and programs of the construction, infrastructure, water works, and mining and petroleum industries, among others.

Amanco's vision is to become a leading entrepreneurial group formed by a cluster of companies that create economic value by operating within an ethical framework, eco-efficiency and social responsibility, for the purpose of contributing to the improvement of the quality of life. In accordance with this vision, Amanco has endeavored to incorporate social responsibility programs that match its managerial vision. As a result, an activity developed under this philosophy has been an integral program of social responsibility named "Amanco for a better Peru," through which it seeks to involve its workers in the company's CSR strategy and through which it transforms them into CSR ambassadors as well as propagators of the ethics philosophy, eco-efficiency and responsibility—values that the Amanco Group advocates in the entire organization.

This program has three bases: progress, health and attitude. For the development of the progress variable, Amanco has formed an alliance with Organismo de Promoción de la Pequeña y Mediana Empresa, PROMPYME (Organization of Promotion of the Small and Medium Company) and Fundes Chile to carry out diverse managerial trainings. The objective of this alliance is to contribute to the growth of

competitiveness in the agents involved in Amanco's distribution chain (suppliers, collaborators, hardware clients, independent plumbers and community). In this sense, the alliance with PROMPYME seeks to strengthen the technical and managerial competence of the plumbers and hardware clients of the company by financing 75 percent of the total cost of their participation in the program Peru Emprendedor (Enterprising Peru) of the Labor Ministry. Each client will be given 12 training sessions and four technical support seminars and workshops which could be used by the same proprietor or by his workers. Two training sessions have been conducted by Fundes Chile for 80 clients and six additional trainings (2 per trimester) on management topics will be carried out. In each training program, a group of ambassadors of Amanco del Peru who are qualified to instruct the rest of interested public participates.

In the case of the health variable, Amanco seeks to improve the quality of life of the interested public through the promotion of increased productivity and an improvement in the labor climate, among other related aspects. For the achievement of these objectives, Amanco has formed a strategic alliance with Catalyst (a consortium of five NPOs financed by USAID that supports health programs). The participants of this program will enjoy discounts in products offered in the Boticas de Torres de Limatambo (BTL) drugstore chain. They will also be given discounts in fees for diverse health services, as well as medical tests.

Finally, through the attitude variable, the program tries to develop a positive attitude and greater commitment among the interested publics. This way, the work performed in the development of this variable contemplates reinforcement programs and training on environmental topics, society and corporate social responsibility

### **The Yanacocha Case**

The Peruvian mining sector has grown to occupy a fundamental role in the Peruvian economy since it now accounts for nearly 50 percent of the domestic exports. Also, it is important to mention that the Peruvian mining companies



have developed their activities in an environment of communities and towns that suffer from extreme poverty and have almost been forgotten by the Administration.

On account of this situation, the mining companies have adopted social responsibility programs that have a positive effect on the well-being of the communities they serve.

One of the most important mining companies is Minera Yanacocha (MYSA) which extracts gold and silver in Cajamarca, a northern area of Peru. These companies are owned by an American entity a Peruvian one and by the International Financial Corporation of the World Bank. Minera Yanacocha's CSR activities have been carried out since it launched operations in 1992. One of the first activities it carried out was the conformation of the Association of Ladies of Minera Yanacocha (ADAMINYA) through which the company tried to gather the male employees' wives alongside its female employees to carry out a series of social programs in the rural areas, in health and nutrition, particularly the operation of an infirmary, the distribution of medicines and the rendering of support to education, among others. On the other hand, in the years 1995 and 1998 the mining company created a program for rural development and subscribed to diverse agreements with international organizations and non-profit organizations to continue working on health, education, civil works (highways), agricultural development, technical support, among other programs with social effects within their area of influence. Through the years, Yanacocha has incorporated various such initiatives, among them programs on rural credit and the installation of potable drinking water facilities in 1998 and 2000.

One of the obstacles encountered by mining companies was the mercury spill in Choropampa and Magdalena, both areas of influence of the mine, in the year 2000. This problem evoked a bigger concern for environmental care in the area and impelled Yanacocha to assume the expenses of corrective measures to counteract such damage. Since then social conflicts between the mining company and the community where it operates have surfaced, but these have been handled quite judiciously.

It is worth pointing out that Yanacocha allocates a significant portion of its annual budget to the execution of programs of social responsibility within its community of influence, thereby reinforcing its commitment to protect the environment therein.

### **Cementos Lima Case. Asociación Atocongo**

Cementos Lima S.A. is the biggest and the most important cement-producing company in Peru. It strives to constantly modify its production processes to ensure the least possible negative impact on the environment. The company is committed to satisfying the clients with products that meet international standards, as well as the requirements, specifications and other prearranged conditions set by domestic regulations.

In August 2003, Cementos Lima found Asociación Atocongo which has since been developing educational and social programs in the southern area of Lima where the plant of the cement company is located. The association considers the educational aspect the most important of its programs as its objective is to offer children and the youth greater opportunities to improve their quality of life in the future. Its four educational programs include the following: the Program of Environmental Education, Mathematics for All, Good Voice, and the Art of the Children of Pachacamac.

Through the Program of Environmental Education, on the other hand, children belonging to educational centers in the districts of Villa María del Triunfo, Pachacamac and Lurín are given environmental education. For this program the Association works in tandem with the Institute for Development of the Environment. Teaching activities take place in small animal farms containing goats and guinea pigs and in ecological biogardens which are monitored by highly qualified professors.

Under the Mathematics for All Program, the mathematics books used employ the German style which promotes rational thinking rather than memorization. The approach permits the children to understand mathematics by drawing

from situations or examples tied to the Peruvian reality.

The Good Voice Program is another initiative geared to the youth. It strives to develop their capacity to work in teams, to be organized, to carry out deeds with social impact on the community, to start a business project, and to learn how to communicate, among other activities.

In the case of The Art and the Children of Pachacamac Program, the Association offers the children the opportunity to do handicrafts while developing a spirit of solidarity. It promotes in them the capacity to be teachers in their specialties by giving them the experience of teaching other people. This way, the Asociación Atocongo gives the children and youth an opportunity to strengthen their personality with values and customs that help them face daily difficulties positively.

As for health, the Association implements three support programs in the southern area of Lima: the Cleaning Campaign and Eradication of Litter, the Days of Integral Attention to Health, the Environmental Campaign and the Program of Assistance Support.

Through the Cleaning Campaign and Eradication of Litter, the Association supports the elimination of waste materials accumulated in the districts of Villa María del Triunfo and Villa El Salvador through a dumper truck service and front loaders.

The Days of Integral Attention of Health offers medical care to people suffering from extreme poverty in the area of influence of the company and serves refreshments to personnel of the Network of Health Services of San Juan de Miraflores who provide medical care.

As part of the Environmental Campaign, the Association donates tree shoots for the forestation of the southern area of Lima and executes a clean production project in the Reservoir for the watering of parks and gardens in the districts.

Through the Assistance Support Program, Atocongo contributes to the associations,

organizations and foundations, among others, that attend to people of different ages with terminal illnesses or physical and motor disabilities. These groups include the following: *Liga Peruana de Lucha Contra el Cáncer* (League against Cancer), *Centro Nacional de Voluntariado* (CENAVOL), *Instituto San Gabriel Arcángel*, *Centro Peruano de Audición y Lenguaje* (ECLAC), *Asociación Pide un Deseo* (Ask for a Wish Association), etc.

As for infrastructure programs, the Association has forged Agreements for Infrastructure Projects with several institutions signifying its commitment to supply materials—cement, blocks, bricks and/or concrete blocks—for the completion of infrastructure projects.

The Association joined the program "*A Trabajar Urbano*" ("Urban, let's work", a governmental project) which provides the necessary resources for infrastructure and selects worthy projects like the construction of sidewalks, crosswalks and intersection bridges, among others.

Other alliances that the Association has become part of are *Compañía Municipal Administradora de Peaje S.A.* (EMAPE) the public toll service, and *Tierra de Niños*, Children's land, a non-profit organization which seeks to improve infrastructure in public schools.

As Asociación Atocongo has also been interested in the conservation and protection of the biodiversity in the Hills of Lachay's ecosystem, in the area of Pachacamac and Chilca (to the south of Lima), Prodena, a local NPO, allied with Asociación Arequipa and the Club de Jardines del Perú - Floralíes, to enhance the rescue and recovery project of the Amancaes (a flower in danger of extinction, it is the emblem of the city of Lima).

Finally, the Association continually motivates the community not only through support for discipline and health programs but also for sports efforts such as soccer camps and mountain bike events.

### **III. Degree to which CSR has been conducted at the business strategic level**

In an economy like Peru, enterprises are considered the drivers of domestic development. Peruvian companies have incorporated CSR for two reasons. Per the first, perhaps, less convincing justification for administrators, the adoption of CSR is important simply because of the personal ethical commitment all people should have: to perform actions that have a positive impact on other people.

The second point of view is less philosophical but more pragmatic; it considers that CSR should be implemented because doing so is economically profitable. According to Henri Le Bienvenu, General Manager of Peru 2021, "When this administration form is implemented, there is a reduction in operative costs as, and for example, a decrease in recruiting costs and training since rotation of personnel lessens. Practicing the proper handling of waste, or recycling and promoting energy efficiency also decrease costs."

The fundamental objective of the companies is to satisfy social necessities, thus generating value in the company. Until a few decades ago, companies have always strived to derive the highest possible economic value, for them to be more competitive in the market.

Today, with the developments in CSR, companies are constantly in search of opportunities to generate not only economic value, but also social value. The company has accepted that there exist three fundamental dimensions to satisfy the necessities of a society:

#### 1. Economic dimension:

Companies are perpetually looking for opportunities to generate profits and endure over time. To attain these objectives, they endeavor to develop strategies that will allow them to be more competitive in the market so as to get a bigger share of it. They also strive to maintain a competitive pricing policy.

#### 2. Labor dimension:

Thus far, companies have included in their strategic objectives the motivation, development and satisfaction of the needs of their workers

whom they have justly begun to regard as collaborators. To be able to compete in a global market such as the existing one, companies, after all, need to motivate their workers in economic terms, as well as train them. Also, companies should seek to develop an appropriate organizational culture.

#### 3. Community Dimension:

Companies are aware that they generate a series of diverse impacts on society, depending on the activity they undertake. For this reason, they develop programs that allow the elimination or diminution of the company's negative impact on the community. This dimension allows recognition of the CSR sense of companies.

Consequently, companies wishing to establish formal and structured policies in CSR will have to develop and communicate their vision of a socially responsible company.

Companies that develop CSR practices offer their workers the opportunity to interact harmoniously with the communities in the places where they live. They also respect, and take care of the environment. These are companies that have a long-term perspective and strive to remain competitive in the current global market.

These companies intend for CSR to be part of the organization's mission and vision. To this end, it goes beyond the quest of projecting a good image in society. Moreover, its articulation of CSR in its objectives transcends merely addressing the welfare of its collaborators. This also generates a decrease in the negative impacts of its activities<sup>x</sup>

### **IV. Degree to which business management has committed itself to CSR:**

#### **a. Government**

Globalization has impelled the Government to undertake adjustments. For example, it has transformed itself from an executor to a regulator, giving rules that promote the private sector's initiatives to start CSR projects. On the other hand, the centralization of the

institutional management of the economy implies the need for enforcing a considerable decentralization to permit public administration to develop efficiently.

The Government should focus on the social responsibility aspect of the private companies. Such initiative, however, should be accompanied by the private sector and civil society contributions. For this reason, it is necessary that the Government be overhauled to be effective and honest, and a subsidiary of civil society. Government should get closer to the private sector and figure out their responsibilities as each of them has an integral role to play and are strategic partners that can make the economy move forward.

Peruvian companies are fully aware that they should fulfill all the requirements of government. However, the public sector fails to appreciate the value of CSR and the need to go beyond mere compliance. Some big companies, committed to CSR, carry out projects that, for one reason or another, the government cannot carry them out. The private sector replaces the Government and provides this kind of services to the rural population of Peru.

Presently, the concept of government no longer resembles that of a sovereign which decides absolutely. Instead, there is very close coordination between government, civil society and the private sector. Such an ideal should be sought in Peru.

#### **b. Representative Business Organizations**

In Peru, the most important association of companies which espouses CSR is Peru 2021, a civilian, non-profit organization created by a group of managers committed to the Peruvian economy and its future. This institution was created in 1995, and it was the first of its class in Latin America. In the year 2021, Peru completes 200 years as an independent country and in this same year, this association plans to make Peru a developed economy. This justifies the name of the association Peru 2021.

The mission of Peru 2021 is "to contribute to the development of a dynamic process at the national level for the achievement of a shared

long-term vision for Peru; where the company becomes a development engine incorporating social responsibility as a tool of its administration, contributing to the improvement of the quality of life and competitiveness of its environment."

Likewise, Peru 2021 has as a vision "To be a respected entrepreneurial institution, known to contribute to make Peru the economy that we all wish, as a result of achieving that the Nation shares a long-term vision that permanently guides the acts of its citizens, rulers and institutions." xi

Peru 2021 includes as part of its vision, in the economic aspect, having solid and transparent institutions that guarantee people's rights, the observance of the law and private initiative. To achieve such goals it has been developing programs since it was created. Presently, it encompasses 37 companies, all of which are CSR leaders.

#### **c. Consumers' Organizations**

Globalization has increased society's demands with regard to the practice of CSR by companies. The Peruvian consumers are becoming aware of being part of a society where the satisfaction of such necessities as employment or the generations of wealth are adopted in an intrinsic way. Today the sustainable success of a company depends mainly on the level of development of the agents around it who are either direct or indirectly involved in it. For example, Companies that develop health or educational programs in the communities where they are allocated earn the respect and acceptance of the population that receive the aid. The consequence is very clear, the company can perform with the support of the population and the population improves its living conditions.

Citizens are gradually becoming aware of the significance of CSR and are hopeful that the companies will become involved and committed to developing and improving the quality of life of everyone. The companies that adopt this outline not only guarantee their sustainable success in time, but also greater competitiveness and a cost reduction in their organizations.

In Peru, the Peruvian Association of Consumers (ASPEC) has incorporated among its policies, the generation of a "shopping awareness." At this moment, ASPEC is trying to accomplish an educational program to educate the Peruvian consumers to make socially responsible purchasing decisions.

With the technical and financial support of AVINA Foundation, ASPEC designed and implemented an important project for responsible consumption. The project was focused on five schools located in an emerging business neighborhood. The players involved in the project were teachers, as well as parents, students and businessmen. The main activity of this emerging area, named Gamarra is textile and it represents the biggest cluster of small companies in Lima. At the end of the project, the students of these schools organized the "Consumers' Fair" to illustrate what the consumer should consider before making a purchase. This event was widely advertised in media.

The American Chamber of Commerce of Peru (AmCham Peru) has also shown concern for consumers and social responsibility in Peru. This institution, which represents Peruvian and foreign companies, mainly American companies, seeks to promote and impel the free market system by fostering trade, investment and trade exchange between Peru and The United States of North America, within a framework of social responsibility, values and managerial ethics. AmCham Peru has diverse committees that deal with varied topics and activities, thus contributing to the development of each of the sectors that form the managerial panorama in Peru.

Among AmCham's committees, there are two very important ones: the Massive Consumption Committee and the Sustainable Development Committee. The Massive Consumption Committee constitutes a forum for the formal discussion of topics of interest to companies producing goods for massive consumption. This committee defines the demands and needs and common necessities of its stakeholders, establishes priorities through a proactive vision, and fosters a political and commercial bond with the authorities. Meanwhile, the Committee of

Sustainable Development aims to develop opportunities of an environmental and social character in the companies working in different sectors. It also seeks to foster the generation of organizational capacities through the adoption of new abilities and competences that promote responsible environmental performance. Additionally, this Committee provides incentives for the incorporation of new values in an entrepreneurial community committed to promoting social and environmental responsibility. It is worth mentioning that among the activities that this Committee carries out are the sharing and identification of managerial experiences pertaining to environmental management and social responsibility. This is carried out through the realization of activities and events as well as the promotion of alliances with key entities that permit the launching of initiatives relating to environmental and social issues. This committee also contributes to the creation of an appropriate positioning of the environmental and social topics in the national calendar.

The topic of consumers is also dealt with by CONFIEP (Confederación Empresarial de Organizaciones Peruanas de Instituciones Empresariales Peruanas = Managerial Confederation of Peruvian Organizations of Peruvian Managerial Institutions), which represents private Peruvian managerial activities at the national and international levels. Its main objective is to contribute to sustained economic growth through investments and the development of employment by individuals and private organizations. Among the institutions that constitute the confederation are 17 managerial unions of diverse private companies at the national level. Another objective of CONFIEP is the achievement of national development via suggestions to the Government on issues of national importance and the formulation of projects and proposals on issues of national interest for the short, medium and long term. This institution also has various committees comprised by managers, technicians and intellectuals who issue recommendations on policies and actions. These individuals also develop advisory or executive tasks, shape general policies for the institution and promote the realization of specialized research. Among the committees are three related to the social

responsibility and the environment. The Committee of Sustainable Development (CODESU) is in charge of promoting the concept of sustainable development in managerial practices; it participates actively in the national environmental management. Another important committee is Política de Ciencia y Tecnología, COMPOLCYT (Policies of Science and Technology) which strives to develop the national conscience with regard to the importance of applying advanced knowledge and technological innovation in the production of goods and services. Finally, Comité Peruano de Gobierno Corporativo fulfills the purpose of being a means to gather, obtain and offer help to private companies in discussions pertaining to corporate governance. It likewise contributes opinions on the formulation and development of principles and good corporate government practices at the international level.

Finally, another Peruvian institution devoted to consumers and managerial social responsibility is the Sociedad Nacional de Industrias, SNI (National Society of Industries) Its purpose is to promote the development of the private manufacturing industry for the attainment of national progress. It accounts for 80 percent of the installed manufacturing industries in Peru and its members constitute 35 percent of the total number employed.<sup>xii</sup> Likewise, it defends the interests of Peruvian industrialists who have modernized their operations for the benefit of the national industry as a whole. It is necessary to point out that the SNI has several working committees that gather representatives belonging to diverse fields from the different manufacturing companies. In this sense, the function of the committees is to promote development, growth and a value chain in favor of the consumer.

#### **d. Non-Profit Organizations**

An important movement that has evolved during the last decades is that constituted by non-profit organizations (NPOs), which have become important sources of civic participation in matters of social interest. These organizations have led the transformation in the paradigms of development, contributing proposals and successful strategies to the framework of sustainable human development.

In Peru, the emergence of NPOs has evoked greater civil participation in matters of social interest. CSR as exercised by Peruvian companies has been questioned time and again by these organizations as a consequence of their social and political perspective. The NPOs play the population defender's role. Sometimes they try to find or create excuses to pull the population out against the companies. The NPOs in Peru have become important stakeholders of the corporations, due to their social influence in the population force and their negotiating power.

The existence of a great diversity of minerals in Peru explains the presence of many mining companies therein. For this reason, a good number of NPOs in Peru are devoted to evaluating and monitoring the level of impact of the mining companies on the environment.

The one NPO that stands out in Peru is Peru 2021, a non-profit civil organization created by a group of managers committed to the economy and its future. Its name alludes to the year when Peru will complete its 200 years as an independent economy. The year 2021 is likewise the year when Peru is expected to realize important changes in terms of managerial social responsibility and good practices where the private sector becomes a development engine and employs social responsibility as a tool in its performance, thereby contributing to the improvement of the quality of life and competitiveness.

Similarly, this NPO carries out three types of activities related to managerial social responsibility: 1) Leadership in CSR (the preparation of sensitization and education workshops for managers; the handling of the

project of indexes of Peruvian Managerial Social Responsibility together with Universidad del Pacifico; the propagation of managerial CSR proposals through the organization of diverse events related to the topic; the diffusion of knowledge by CSR leaders; the release of publications about CSR and related local experiences); 2) Support for the childhood and the educational sector (via a strategic alliance with UNICEF with regard to the dialogue on children); support for the National Action Plan for the Children and Teenagers, to reassure a healthy life and quality education; and, 3) Promotion of Visión País (to share the long-term vision with the population, the development of projects and follow-up of national plans, and to increase the local self-esteem through the realization of projects).

Also in line with Managerial Social Responsibility is Avina Peru, an NPO which set up legally in Peru in 2000. This institution is part of the Avina Foundation, a non-profit international foundation that works with civil corporations and business leaders to promote sustainable development in the Latin American region and the Caribbean. The mission of Avina Peru is to promote the leaders' initiatives in the economic, social, and cultural fields and in environmental protection.

Another important institution where CSR and environmental management in Peru are concerned is the Centro Nacional de Producción más Limpia (CET) National Center of Cleaner Production, also known as Centro de Eficiencia Tecnológica. This institution was formed in 2001 under the sponsorship of the Consejo Nacional del Medioambiente (CONAM), Environmental National Council, the Swiss Secretariat of State for Economic Matters (DRY), the United States Agency for International Development (USAID), the Consortium for the Development of Sustainable Managerial Activities (formed by Universidad de Lima, Universidad Nacional Agraria La Molina) and Senati. Among its objectives are to strengthen the companies' competitiveness and to effect a reduction on the environmental impact of the companies through the development of events, projects and successful cases of Cleaner Production, courses and training workshops. Furthermore, the CET

supports organizations wishing to have access to environmental credit lines with the main national banks (Banco de Crédito, Interbank and Banco Sudamericano).

On the other hand, there are responsible and serious private NPOs that are concerned about diverse topics related to the environment and social responsibility in Peru, such as: education, women, environmental legislation, health, labor, human rights, and agriculture, among other subjects. For example, the performance of NPO Labor can be highlighted. It was founded in 1981 in the city of Ilo, its action is centered on environmental action. This NPO is directing its action to the development of capacities and the formulation and execution of development projects. At the national level, Labor has been fostering the establishment of a new system of relationships among the mining, the environment and the local development sectors via the promotion of a culture of dialogue.

As for the protection of nature, the NPO Pronaturaleza (Fundación Peruana para la Conservación de la Naturaleza), created in 1984, is dedicated to the conservation and protection of the environment in Peru. Its central objective is to preserve biodiversity in Peru through the sustainable execution of development projects. It also aims to create a culture of environmental principles. This NPO has participated in the design of important environmental policies. It has contributed to the administration of 13 protected areas.

As for environmental laws, Peru has the Sociedad Peruana de Derecho Ambiental, SPDA (Peruvian Society of Environmental Law) which is a non-profit organization formed by Legal professionals who believe in the capacity of societies to be developed in a sustainable form. They likewise believe it necessary to conserve the atmosphere as an essential component of any effort to improve the quality of life. To achieve such ends, the SPDA has prioritized actions in the political field and in environmental legislation. Some of these ends are worth being mentioned: 1) To act as facilitators in the process of making decisions, generating and applying legislation and policies to integrate economic aspirations with environmental and social needs; 2) To defend the citizens' interests

and guarantee every person's right to a clean environment for the development of life; 3) To promote and work in the field of education, training and the propagation of the Environmental Law as the discipline and transformation tool for the population to improve their life style; and, 4) To contribute to the invigoration of Clean Production processes and Environmental Quality. In so doing the SPDA works in favor of the Peruvian and international communities, protecting the countries' environmental wealth, promoting the sustainable use of its natural resources, and obtaining an appropriate environmental quality for the benefit of the whole population, particularly its least favored members who require urgent support to reach a worthy level of life.

#### **e. Inclusion of Small and Medium Enterprises**

In general, when someone mentions CSR, it is understood he refers to the programs of big companies. However, an important feature of CSR is its being espoused by small and medium businesses as well.

Peru has a good number of small manufacturers who develop various products in accordance with the market's needs. These small businessmen do not compete with the big companies; on the contrary, these big companies give the small companies opportunities to grow their business and to create new small business. This happens because the small manufacturers are part of the chain that provides these big companies with supplies and helps them satisfy their needs. This phenomenon holds true throughout the entire world.

The small manufacturers do not really compete with the big ones but serve them; just as the big companies are not interested in the niches where the small ones operate, since the big companies find it easier and more profitable to hire the small ones as suppliers. Such a set-up makes the work very efficient for the different companies.

A clear example is the work that companies linked to the mining sector are carrying out with small manufacturers. These companies consistently try to work with suppliers from the

area where they operate, so that regional development is impelled. Thus, the Yanacocha mining company has been working with the residents of the department of Cajamarca, while the Southern Peru Copper Corporation works with the residents of the departments of Moquegua and Tacna.

Finally, in the case of Peru, the incentives granted to the small manufacturers constitute a very interesting tool for development and to facilitating the integration of the enormous quantity of unemployed workers in Peru.

## **V. CSR Dimensions**

### **a. Legal execution**

Today most Peruvian companies carrying out CSR practices are aware that these have to be motivated by a strong conviction rather than just the quest for protection. The companies presently fulfilling all of the requirements of the Administration, namely, the payment of taxes, for example, are considered oblivious of their social responsibility.

In Peru, this factor is made much more evident since the Government is unable to look after the entire economy, rendering it incapable of satisfying the needs of all its inhabitants. As a consequence of the mentioned situation, the company becomes an active agent in the satisfaction of some of these necessities.

For Roque Benavides, General Manager of Buenaventura Mining Company, "In an economy with a reasonably institutionalized structure, people choose their own authorities, and they are the ones that represent the community. The problem is that there is at the moment an absolute lack of presence of the Administration in some areas of Peru."

Regrettably, it is impossible for the companies to take the place of the Administration since the necessities of Peruvians are of such magnitude that it is impossible to satisfy them, and private companies cannot be asked to do so; not when even the Government is unable to do it.



## **b. Human rights**

For many years Peru has gone suffered from internal conflicts as a result of the activities of terrorist movements. These groups such as *Sendero Luminoso (Shining Path)* or the *Movimiento Revolucionario Túpac Amaru (MRTA)* began committing human rights violations in the mid 80s. The wave of terrorist activities increased at an alarming rate until the mid 90s when somehow, matters were brought under control. During the time that terrorism reigned in Peru, human rights infringements were numerous in Lima and the provinces. Moments of absolute terror were experienced by some.

Another factor of the Peru's human rights situation is the high index of poverty in Peru due to the inability of the Government to improve the people's purchasing power and quality of life and because of its failure to control the centralization process therein.

## **c. Government of the company**

For Armando Casis, General Manager of Asociación Atocongo, "the members of the organization should work the concept of Corporate Citizens for it is necessary to include CSR within the business strategy, involving shareholders, collaborators, suppliers and clients in this process."

So the Peruvian private sector should be committed to the CSR philosophy it wants to develop in its institution. Definitely CSR should originate in the governing of the company, that is to say, at the highest levels for a cascade effect to be guaranteed throughout the rest of the organization. Some Peruvian companies clearly understand this concept this way, while the others confine the CSR initiatives to a specific area of the business.

A Peruvian company that is convinced that CSR should be adopted at the highest level is Amanco Peru. According to its General Manager, Franklin Alarco, having introduced CSR in its administration has resulted to massive economic and social benefits for the company. He points out: "I am very impressed with Amanco's commitment to reach excellent financial results

for the shareholders, while at the same time promoting a better environment and investing in the communities where it has operations." Amanco Peru has been using a novel design: a Sustainability Scorecard, which allows obtaining the scores of the three perspectives (economic, social and environmental) five strategic dimensions: finances, clients, processes and technology, social and environmental administration, and human resources.

## **d. Administration of human resources**

As workers have a critical role in organizational development, it is necessary to offer them the necessary instruments to develop themselves not only for the sake of the company, but rather, for the sake of society. It is thus necessary to foster a climate in which the collaborator feels he is part of the corporation. He must be made to feel that he is listened to. He must be assured that the company considers his family as an important factor to achieve his well-being. The company acknowledges the fact the worker comes along with his family. The well being of the worker and his family is what the company pursues.

The type of commitment that organizations want to assume and the way to achieve this will become evident in the near future because many businesses are starting to obtain international certification on labor standards and issues.

## **e. Commitment to the community**

This refers to the different social actions that the company undertakes in favor of the communities in order to diminish the environmental and social negative impact of their activities on them, to improve the community's health and educational systems and to ensure that their necessities and some specific requirements of the organization's areas of influence are satisfied such as public transportation, schools or hospitals. It is important to keep in mind the company's main goal is to help the community reach a better quality of life. It is necessary to assess which areas will be benefited and to determine the organization's intervention.

#### **f. Administration of the environment**

It is necessary to identify the necessities and priorities of the communities with regard to the environment in order to develop the appropriate sustainable project for them. The policies developed may refer to the commitment of the company to decrease its negative environmental impact through the improvement of its productive process or projects such that they foster care of the environment.

In Peru two government agencies manage the crucial issues indicated in the administration of the environment and natural resources. They are the Consejo Nacional del Medio Ambiente, CONAM (National Council of the Environment) and the Instituto Nacional de Recursos Naturales, INRENA (National Institute of Natural Resources).

CONAM is the environmental authority in Peru charged with promoting, coordinating, controlling and preserving the atmosphere and the nation's natural patrimony. This organization was created by the Law Number 26410 of December 22, 1994. Among its objectives are the promotion of the conservation of the environment thus assuring an appropriate quality of life and propitiating the balance between socioeconomic development and the sustainable use of natural resources and the conservation of the atmosphere. Its institutional vision is to become an organization that contributes to transforming economic growth into sustainable development and induces society to avoid the deterioration of the atmosphere by taking only rational advantage of the natural resources in its activities.

The INRENA is a decentralized public organization belonging to the Ministry of Agriculture of Peru. It was created in November 1992 and it is charged with carrying out the necessary actions for the sustainable use of renewable natural resources. It oversees the programs and actions to ensure the sustainable administration of the rural environment and the wild biodiversity. It carries out its work in close coordination with the local and regional governments, civil society and private and public institutions. Also, the INRENA grants forest concessions, confers

authorizations and forest permits, authorizes entrance to the protected natural areas with research purposes, informs the administration of the hydric resources, and carries out environmental evaluations, among other tasks.

#### **g. Performance and organizational effectiveness**

The companies need to redefine their sense of making business; to articulate the economic interests of the managers and investors in consonance with the social necessities of the workers, the community in which the company operates, and their clients and suppliers; and to alter the environmental processes to eliminate or lessen the pollution they generate. That is to say, it is necessary for the companies to have a strategic SR vision. Further, their objective should be to satisfy social necessities that are expressed in the demand of the stakeholders. Presently, the consumers are improving their performance and are incorporating new purchasing approaches in the decision making process. Their purchase considerations are no longer confined to price and quality. Instead, they include in the analysis factors such as the impact to the environment and society that the companies bring about when they operate. This is one of the important considerations in the decision to purchase.<sup>xiii</sup>

#### **h. Future challenges and future opportunities**

Peruvian managers face the challenge of coming closer to the civil society organizations in order to maximize the social responsibility activities in Peru. The fundamental steps to achieving better results in the matter of CSR would be such elements as dialogue and the exchange of information on activities that each organization can sponsor.

A very important challenge for the future is the promotion of CSR in the educational institutions and the communities. At the moment, there exist in the economy few publications specializing on CSR topics, something which could be changed. Through media CSR initiative carried out by Peruvian companies may be

disseminated and may, as a result, serve as models for other companies to emulate.

Only a few foundations exist in Peru<sup>xiv</sup>, some have instituted social programs and corporate volunteer work among their activities. This implies a challenge for the private companies, especially the biggest and most solid ones, to promote social programs that address, educational, gender and environmental issues.

The topic of social responsibility should not be restricted to the private managerial sector; it should also be endorsed by the public sector. It is convenient for the Government to incorporate social responsibility in its agenda and to forge alliances with the private sector in order to satisfy the outstanding needs of society.

The academic community should likewise fulfill a fundamental role in the propagation of social responsibility activities alongside media, the private sector and government by offering CSR subjects in their curricula. At the moment few Peruvian universities have incorporated the topic of social responsibility in the students' integral education. Although it is true that universities have begun to offer free courses on social responsibility, their inclusion in the career curricula should not be neglected in order to allow the students to develop a vision of CSR, not only at the external level (it contributes to community and society), but to know how to deal with the topic from an internal perspective or from within the organization. Through such innovation, the aim to mold future generations that do not only have the skills of specialists in their area, but also a conscience aware of the

benefits of social responsibility efforts when incorporated in the organizations where they develop professionally, may be realized.

CSR is a topic developed basically by the big national corporations. Sometimes, small and medium companies neglect the incorporation of these practices, citing their not having "enough resources." Still and all, this lack should not be advanced as an excuse for their failure to embrace the issue, but should pose a challenge instead. For this to happen, managers of small and medium enterprises should be sensitized to the topic. Such entities should also seek to create alliances with other companies of similar capacities, and probably combine activities in support of sustainable development and social responsibility.

Many Peruvian managers have adopted CSR as an advocacy either because of the demands of the market or in keeping with the fad that has hit the Peruvian managerial sector. This is unfavorable since it indicates that the issue has not achieved the status of being catered to out of a sense of conviction. In view of this, it becomes necessary that CSR sensitization should be worked on more vigorously for Peruvian managers to assimilate the same. It is worth disseminating the initiatives that Perú 2021 has carried out in its years of existence through the organization of managerial breakfasts and lectures, and the issuing of publications and journalistic articles directed towards the private sector, in order to make them aware of their role as economic agents with regard to social responsibility in their environment.

## Economy paper: Peru

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