



# 36 Perú

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## ■ Context

The current Peruvian context is the heir of two great cultural traditions: on the one hand, the legacy of several Andean cultures that enabled the configuration of the Inca civilisation and empire (1430–1534 BC); on the other, the cultural heritage and tradition of Western civilisation received through the Spaniards in the mid 16th century.

Both cultural traditions have had religious, social, ecological and economic influences on CSR and its particular development in Perú. For example, the concept of ‘Andean reciprocity’ can be thought of as an historical precedent for CSR (Franco 2007: 4). In a culture that did not utilise money as a medium of exchange, reciprocity defined the interaction between individuals, not only in social and economic contexts, but also in religious and ecological terms as well. This characteristic of Andean culture continues to have influence through endemic perspectives on social relations and the way some people in the Peruvian Andes relate to the environment and to responsibility.

During colonial times, and with the installation of the Spanish Viceroyalty in Perú until the 19th century, the Catholic Church, as part of its evangelisation process, engaged in and promoted philanthropic activities, even in secular settings. Hence, the role of the Catholic Church has been essential in shaping a charitable social ethos, not only in Perú but also throughout Latin America (Franco 2002; Puppim de Oliveira 2006). The tradition of Catholic ‘Social Thought’ and its influence over Peruvian history has also shaped contemporary management practices, especially in the approach to philanthropy and CSR.

Since Perú became a republic in 1821, society and business culture have been influenced by other factors too. For example, extensive population migration from rural to urban areas since the mid 1950s reconfigured the appearance of cities and many social customs. Then, between 1968 and 1980, two military governments hampered state–business relations with expropriations and nationalisation policies, shrinking the business sector (and thus its social action) and generating an economic crisis that led to

fragmentation and profound social upheaval, fuelling terrorism and the worsening of the economic crisis during the 1980s.

Only at the end of the 1990s did an economic recovery and relative stability allow the country's business elites to engage more proactively in activities with a social purpose (Durand 2008). During the 21st century, this has increasingly adopted the face of CSR, the development and dissemination of which has accelerated in recent years.

More specifically, the contribution of businesses to the Peruvian society in recent decades has been twofold: first, through the creation of corporate foundations focused on funding solutions to the social problems afflicting the country (Portocarrero *et al.* 2000); and, second, through the creation of business organisations such as Perú 2021. This organisation recommends the prioritisation of seven key stakeholder groups: shareholders, employees and their families, customers, suppliers, government, community and the environment (Canessa and García 2005). Perú 2021 also proposes a set of CSR indicators and offers a practical guide for stakeholder engagement, thereby helping to spread the stakeholder model throughout the country (Canessa and Cuba 2006; Rizo Patrón *et al.* 2007).

Today, CSR in Perú is experiencing diffusion and growth within the private and public sectors, promoted by such factors as the ratification of various international trade treaties, the creation of the Ministry of Environment, the emergence of CSR-specialised media (e.g. Revista Stakeholders and Semanario Empresa Responsable), the supply of CSR educational programmes and the development of national initiatives that seek to bring more players into the CSR movement.

## ■ Priority issues

The priority issues regarding CSR in Perú are the building of confidence and social reconciliation; the overcoming of corruption, poverty and inequality; the improvement of the education level; and environmental management.

### Building confidence and social reconciliation

The Truth and Reconciliation Commission (Comisión de la Verdad y la Reconciliación 2003) estimates approximately 69,280 victims and around USD9.2 billion as social and economic costs of the terrorism between 1988 and 2000. As a result of the havoc caused by terrorism and human rights violations (35,229 acts of human rights violations are documented), there is still widespread distrust and extensive social fragmentation in Perú.

### Corruption

According to Transparency International's (2009) Corruption Perceptions Index, Perú was ranked in 75th place of 180 countries (where 1st shows the least corruption). The sectors perceived as more corrupt were the political parties and the judiciary sector (Transparency International 2007a: 16; 2007b: 22).

## Poverty and inequality

In recent years Perú's positive macroeconomic performance has unfortunately not yet been reflected in important improvements at the microeconomic level. A high proportion of the population are still living in poverty (36.2%) and extreme poverty (12.6%) (INEI 2008). There is economic and geographical inequality — in Perú the Gini coefficient is 49.6, with the richest 10% of the population earning 38% of the income and the poorest 10% of the population only 1.5% of the income (UNDP 2009). More than 6.5 million Peruvians live in rural areas, where 65% of the people are in poverty. In terms of human development, Perú was ranked 78th of 182 countries in the UN Human Development Index for 2009 (UNDP 2009).

## Education

More than 2.5 million Peruvians are illiterate, with just six out of ten children finishing primary school and one in every four children working. In rural areas, just the half of the population has access to primary school. Despite awareness of the importance of education for development, and modest state efforts, Perú ranks in last place on reading, literacy and mathematics in Latin America (LLECE 2008). Only about 5% of Perú's students perform at the OECD average (World Bank 2007: xiii).

## Environmental management

The deterioration of the environment and natural resources is an issue of major concern (Grupo de Trabajo Multisectorial Preparación del Ministerio del Medio Ambiente 2008), especially:

- **High levels of water pollution.** For example, there are more than 800 environmental mining liabilities from past mining activities.
- **Poor disposal of solid waste.** There is only one official landfill for hazardous solid wastes and the improper collection of solid waste has produced losses of at least USD45 million.
- **High urban air pollution.** This is mainly caused by the obsolete vehicular fleet and poor fuel quality. It is estimated that in Perú approximately 4,000 people die each year from diseases caused by poor air quality
- **Loss of agricultural land through erosion, salinisation and deteriorating soil fertility.** For example, 8 million ha are severely eroded and 31 million ha moderately eroded.
- **Destruction of forests through illegal logging, and the loss of native crops and their diverse genetic wealth.** At least 10 million ha of forest have been destroyed. In the Peruvian Amazon, which represents 13% of the Amazon rainforest in South America; 221 species of fauna are in danger of extinction; and ethnic groups and their cultures have been gradually disappearing.

In response to these and also to other problems, the Ministry of Environment was created in 2008 with the intent of addressing and managing these environmental issues.

## ■ Trends

The 1990s marked the beginning of the CSR debate in Perú and led to a series of studies — focused on transnational corporations — which showed an underdeveloped interest in CSR among the Peruvian business community. Nevertheless, an appetite for developing CSR activities was present, despite unsupportive legal and tax frameworks and a lack of state intervention in these matters (Portocarrero *et al.* 2000).

According to Benavides and de Gastelumendi (2001: 51), the business sectors most actively engaged in CSR in Perú are mining, banking, telecommunications and electricity, motivated primarily by corporate image and employee relations. While environmental issues, supplier relations and the responsible use of publicity showed improvements, the most significant developments were in relationships with internal stakeholders. This study also identified poor diffusion of CSR, a gap between the motivation and practice of CSR, non-strategic implementation of CSR and lack of vision by managers and decision makers.

The mining sector in Perú deserves a special mention, not only because of its importance to the Peruvian economy, but because despite its engagement with CSR, social conflicts related to mining activity remain a serious problem (Portocarrero *et al.* 2007; de Echave *et al.* 2005; Caravedo 1998). Many of these conflicts are linked to environmental issues and problems with local communities. In recent years concern has been generated about environmental protection and improvement of communication strategies with communities in the mining areas. Another study (Garavito *et al.* 2004) showed that some CSR claims by transnational companies were not necessarily implemented. This created a negative perception of CSR in the public sphere and scepticism about this topic.

A recent study (Del Castillo and Yamada 2008) has placed renewed emphasis on the relationship between CSR and the Peruvian labour market. In particular, CSR is being seen as an additional incentive to take on labour standards that allow the companies to benefit from the recent trade promotion agreements (TPAs) signed between Perú and other countries.

According to Portocarrero *et al.* (2006), CSR in micro, small and medium enterprises (MSMEs) is a thinly applied but widespread practice, albeit sporadic and at the owners' discretion. The most common CSR practices in MSMEs are directed inwards, seeking improved working environments and responding to economic, as well as ethical and religious motivations. External CSR in MSMEs tends to reflect the owners' social networks, often taking the form of 'sponsoring' (*apadrinajes*), while the tackling of environmental issues is chiefly motivated by cost reduction and efficiency, rather than a real concern for the environment.

Despite the limitations of CSR in MSMEs, there is increasing recognition of the potential for collaboration with large enterprises, through activities aimed at promoting production chains and bottom of the pyramid markets (BOPM). A recent study (SNV 2008: 14) states that in Perú:

many firms incorporate BOPM in their production process as part of CSR policies, having identified these populations as important allies who can be integrated into their production chain. Others focus on BOPM consumers because the country's economic growth has helped to transform BOPM into an interesting business niche, and a way to access new consumers in the face of increased competition within higher segments of the economic spectrum.

Whether the renewed interest of companies in the BOPM only answers to economic motives or really to the desire to contribute to sustainable development of the country remain to be investigated.

The launch of two major initiatives in 2008 marked an important year for the development of CSR: first, the Lima Stock Exchange (Bolsa de Valores de Lima 2008) launched the Corporate Governance Index; second, the '*Responsabilidad Social: Todos*' project brought together over 250 people, including state representatives, business, academia and civil society, with the aim of thinking about social responsibility as a tool for sustainable development (Caravedo 2008: 18). The initial results of this initiative have been published by the UNDP (Caravedo 2008).

## ■ Legislation and codes

The role of Peruvian law in the promotion of CSR has been discussed by de Belaunde *et al.* (2001) and partially reviewed by Schwalb and García (2003: 90). In addition to the labour and tax laws, the recent creation of the Ministry of Environment has resulted in considerable restructuring of Peruvian environmental laws. The following represents some of the major CSR-related legislation.

### Labour rights

- **Texto Único Ordenado de la Ley de Productividad y Competitividad Laboral D.S.003-97-TR** (March 1997).
- **Texto Único Ordenado de la Ley de Compensación por Tiempo de Servicios D.S. 001-97-TR** (March 1997).

### Workers with disabilities

- **Ley General de la Persona con Discapacidad, Ley 27050** (December 1998).
- **Reglamento D.S. 3-2000-PROMUDEH** (April 1999).

### Pension funds

- **Ley de Modernización de la Seguridad Social en Salud Ley 26790** (May 1997).
- **Ley del Sistema Privado de Pensiones D. Ley 25897** (December 1992).

### Non-discrimination

- **Ley contra actos de discriminación, Ley 26772** (April 1997).
- **Ley 26626** concerning workers with HIV (June 1996).

### Employee profit sharing

- **Decreto legislativo 677** (October 1991) and **Decreto Legislativo 892** (November 1996).

## Environment

- **Ley General del Ambiente, Ley 28611** (October 2008).

Since November 2009, a very complete Compendium of Environmental Laws in Perú has been available on the website of the Ministry of Environment.<sup>1</sup>

## ■ Organisations

■ **Centro de Investigación de la Universidad del Pacífico (CIUP)**. Since 1996 CIUP has carried out research on nonprofits, philanthropy and social responsibility, the results of which have been published through the Library of Social Responsibility. <http://www.up.edu.pe/ciup>

■ **Ministerio del Ambiente (MINAM)**. Created in May 2008 with the mission to preserve environmental quality and to ensure present and future generations have the right to enjoy a balanced environment suitable for the development of life. <http://www.minam.gob.pe>

■ **Perú 2021**. A business organisation founded in 1994, aimed at achieving a shared long-term national vision and the dissemination and promotion of social responsibility as business management methodology. It has 47 corporate members. <http://www.peru2021.org>

■ **Seguimiento Análisis y Evaluación para el Desarrollo (SASE)**. A nonprofit association devoted to work in social responsibility, founded in 1990, and a pioneer in CSR in Perú and Latin America. <http://www.sase.com.pe>

## ■ Case studies

Several successful CSR experiences implemented in Perú have been documented and published, for example the series: 'Casos de Responsabilidad Social' presents a total of 15 successful CSR projects between the years 2003 and 2005 (Schwalb *et al.* 2004; Schwalb and García 2004; Schwalb *et al.* 2006). Other case studies are documented by Molteni and Rossato (2007: 137-155); some experiences on corporate philanthropy and volunteering are documented by Portocarrero and Sandborn (2003); and, more recently, successful experiences regarding corporate governance can be found in Franco *et al.* 2009.

In addition, Perú 2021 conducts an annual contest of CSR best practices. Beginning in 2005, they sought to locate the projects submitted in seven categories, corresponding to the seven prioritised stakeholder groups of its CSR model. The last publication of Perú 2021 (2008) includes 26 CSR best practices projects in different economic sectors.

<sup>1</sup> The Compendium of Environmental Laws in Perú can be accessed at [http://www.minam.gob.pe/index.php?option=com\\_content&view=article&id=426&Itemid=81](http://www.minam.gob.pe/index.php?option=com_content&view=article&id=426&Itemid=81), accessed 27 May 2010.

## ■ Education

CSR education in Perú has recently gained momentum. The first master's programme in CSR was launched in 2009 (offered by **CENTRUM Católica**), which is complementary to existing specialised CSR programmes. There are no Peruvian business schools in global rankings such as *Beyond Grey Pinstripes* (Aspen Institute 2003, 2005, 2008, 2010), but two business schools adhere to the Principles for Responsible Management Education: **CENTRUM Católica Business School of the Pontificia Universidad Católica del Perú (PUCP)** and **Universidad ESAN**.

Furthermore, **Universidad del Pacífico** is also seeking to integrate CSR into the entire curriculum (Caravedo 2007). Other universities that have shown an academic interest in CSR include: Universidad Católica San Pablo (Arequipa), Universidad Católica de Santa María (Arequipa), Universidad de Piura (Piura), Universidad Privada Antenor Orrego (Trujillo).

There is also a model of university social responsibility (USR) developed by a scholar of the PUCP. This model is presented as a form of ethical management of the university's impacts, categorising them in terms of organisational effects (labour and environmental), educational effects (academic teaching), cognitive effects (research and epistemology) and social effects (extent, social projection) (Vallaes 2008). In this regard there has been not only academic discussion, but also specific initiatives whose results are being analysed.

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