

Sustainable Development and the Politics of the Governance of Natural Resources: Analyzing the Peruvian ASM industry

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PES Conference – June 2nd, 2016

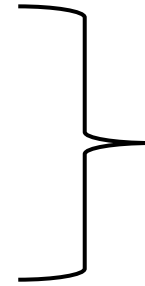


Photo: La República/IICA, 2013

1. Introduction

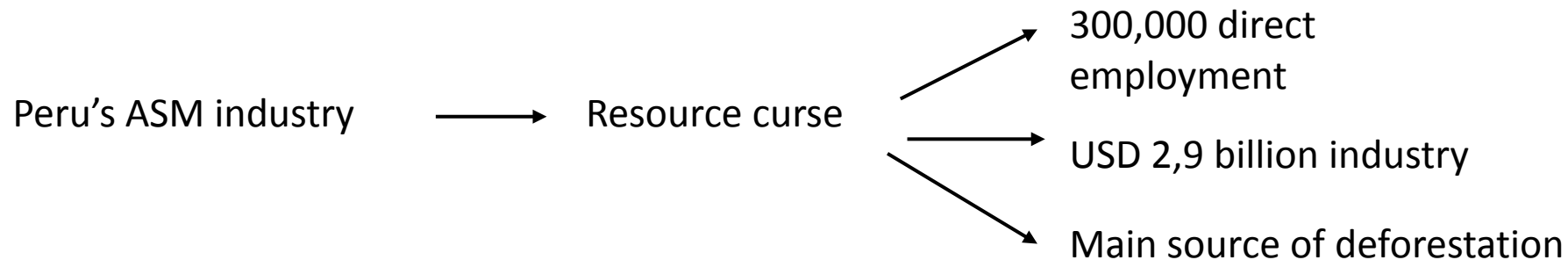
Sustainable development (SD) as a watchword (Berr, 2015)

- Vague concept (Dryzek, 2005; Lélé, 1991)
- No clear guidelines
- “Empty signifier”? (Swyngedouw, 2011)



Challenge for resource-rich developing countries heavily dependent on the export of non-renewable resources

What determines how actors interpret SD? How do these views on SD influence the policymaking processes concerning the governance of natural resources in developing countries?



1.1. Methodology

Identify the main policies towards ASM in Peru

Identify ideas and interests the actors involved in the policy coalitions have had on SD and ASM

Reconstruct the coalitions that have shaped ASM policies

Examine the impacts ASM policies have had on the governance of natural resources in Peru

Types of documents reviewed

	Type of document	Source
Primary documents	Laws	Unique Ordered Text of the General Law of Mining (Supreme Decree No. 014-92-EM); Law for the Promotion and Formalization of Artisanal and Small-Scale Mining (Law 27651).
	Grey literature from public institutions, international donors and private consultants	Ministry of Energy and Mines (MEM), Ministry of the Environment (MINAM), Swiss Agency for Development and Cooperation (COSUDE); United Nations Environment Program (UNEP); Communities, Artisanal and Small-Scale Mining (CASM); Macroconsult, etc.
	Reports on artisanal, small- and large-scale mining in Peruvian newspapers	El Comercio; La República; Perú21; Andina; Semana Económica.
Secondary documents	Research studies on artisanal and small-scale mining from specialized local think tanks on social sciences, mining, and the environment	Group for the Analysis of Development (GRADE); Peruvian Society for Environmental Law (SPDA); CooperAcción; etc.
	Research studies on artisanal and small-scale mining in Peru commissioned by transnational institutions	Mining, Minerals and Sustainable Development (MMSD); Economic Commission for Latin America and the Caribbean (ECLAC); International Labor Organization (ILO); etc.

Key informants

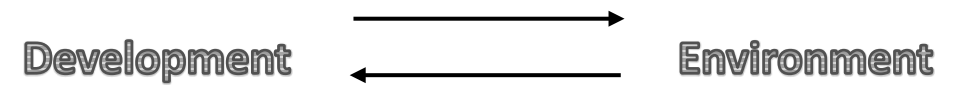
Job position	Institution
Consultant	Ministry of Energy and Mines/Swiss Agency for Development and Cooperation
Former representative	Ministry of the Environment (MINAM)
Researcher	Think tank 'a' (TTa)
Researcher	Think tank 'b' (TTb)

2016 – II: ASM organizations, further representatives from MINAM and MEM, environmental NGOs.

2. Views on Sustainable Development

SD as the **direct correlation between poverty and environmental degradation** that is based on two hypotheses:

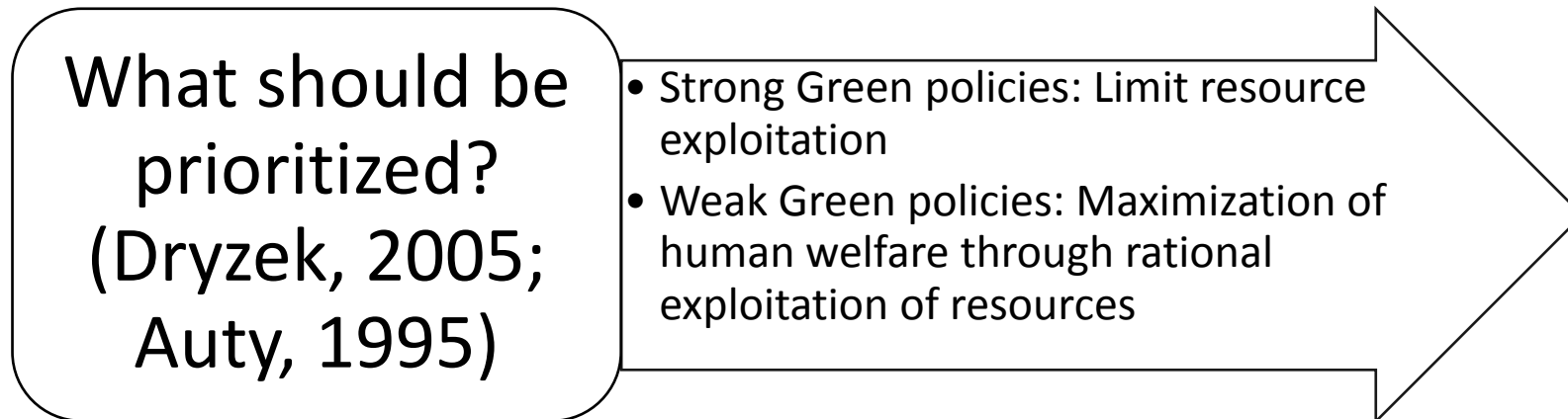
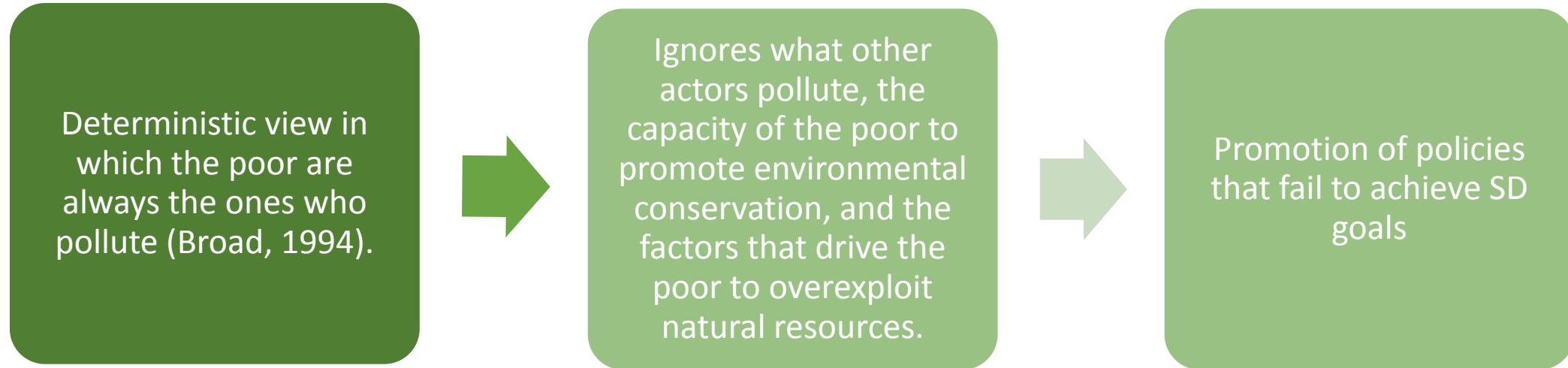
- 1) The poor are the most affected by the negative impacts of environmental degradation (Adams, 2001).
- 2) The poor are the main perpetrators of environmental destruction as they are forced to abuse natural resources in order to survive (Broad, 1994).



Economic growth should be encouraged as it is the only way to simultaneously tackle poverty and protect the environment (McCormick, 1986; Adams, 2001).

“Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p.16).

2. Views on Sustainable Development



2. Views on Sustainable Development



(Woodhouse, 2000)

2. Views on Sustainable Development

WHAT DETERMINES WHAT APPROACH ON SD RESOURCE GOVERNANCE POLICIES FOLLOW ?

Political Ecology:



The environment as a sociocultural construct based on **discourses and coalitions to produce institutions that help gain control over resources (Robbins, 2004; Forsyth, 2008).**

How actors interpret SD and the types of policies they support depend on their own views on the environment, problems and possible solutions, and on their capacity to impose these views (Woodhouse, 2000; Neuman, 2005; Forsyth, 2008).

3. ASM and Sustainable Development

Employs directly
13 million

100 million people
depend on it for
their livelihood

15% and 20% of
the world's non-
fuel mineral
production

Threat?

3. ASM and Sustainable Development

1970s-Early 1980s: “Get rich quick” (Hilson, 2009). Provide technical assistance to improve productivity and safety and environmental practices.

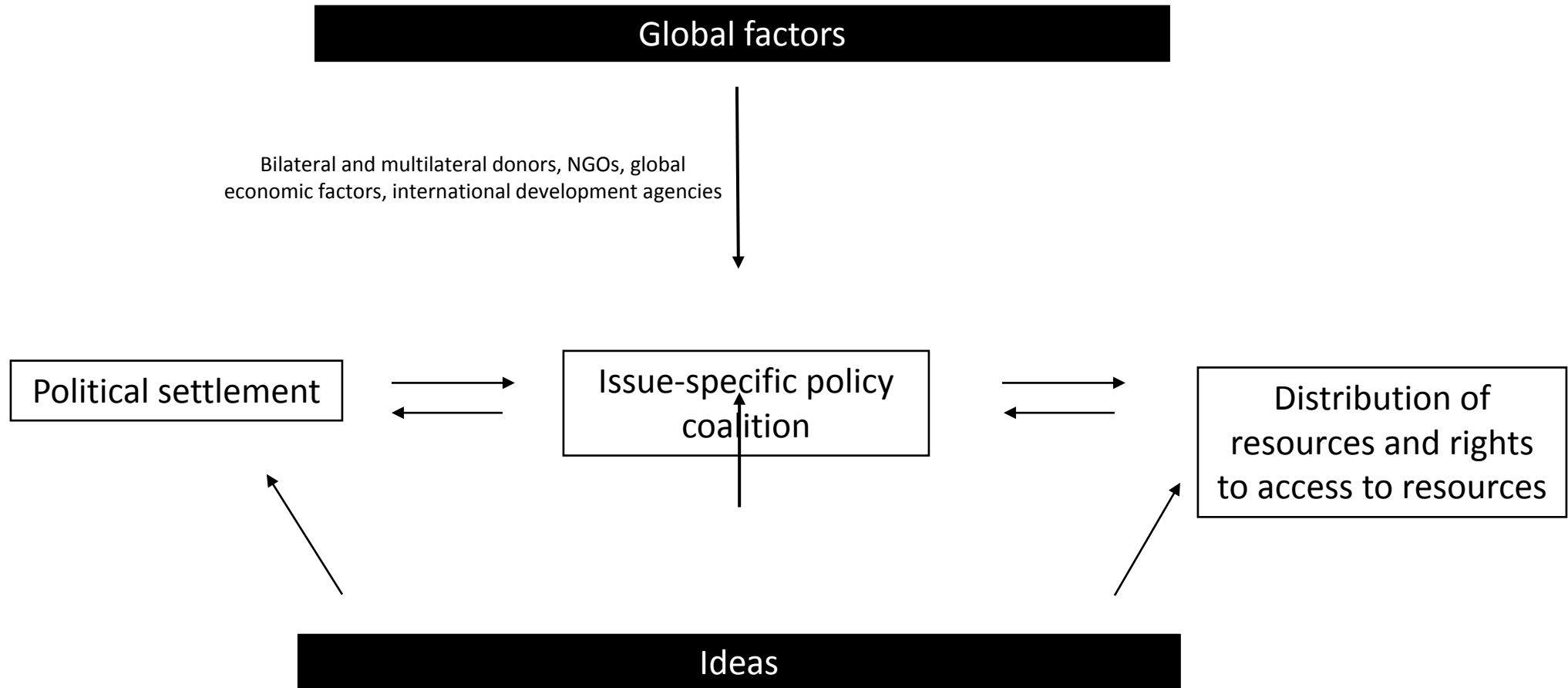
Late 1980s: ASM as product of a “self - perpetuating poverty cycle”. Need to improve the access of miners to mineral deposits through their formalization. Mixed results. Ex. Ghana.– POPULIST VIEW ON SD

Early 2000s: ASM recognized as a livelihood strategy, key to poverty alleviation plans (Collins and Lawson, 2014). WB creates CASM (Community and Small-Scale Mining assistance program for donor coordination and information Exchange).

Late 2000s: CASM dissolved. ASM remained outside the poverty reduction agenda (Buxton, 2013; Labone, 2014). Exceptions????

4. Political settlements

Political settlements' conceptual framework



5. ASM and Sustainable Development in Peru

PERU

- Includes the Andes and 13% of the Amazonian rainforest
- 24 political regions distributed among three natural areas: the coast, the highlands and the rainforest
- Historic cycles of exploitation of resources: silver, guano and rubber – PROFITS CONCENTRATED ON THE COAST

- Region's prime producer of gold, tin and lead (MINEM, 2014)
- 59% of exports
- 2002-2012: GDP anual growth 6%
- Poverty decreased from 54,3% to 25,8% (Herrera, 2003; INEI, 2013)

- 2002 – 2013: Inequality reduced from 0,54 to 0,44 (CEPAL, 2014).
- In 3 of the main mining revenue recipient regions, poverty exceeds 46% (Perú21, 2014).

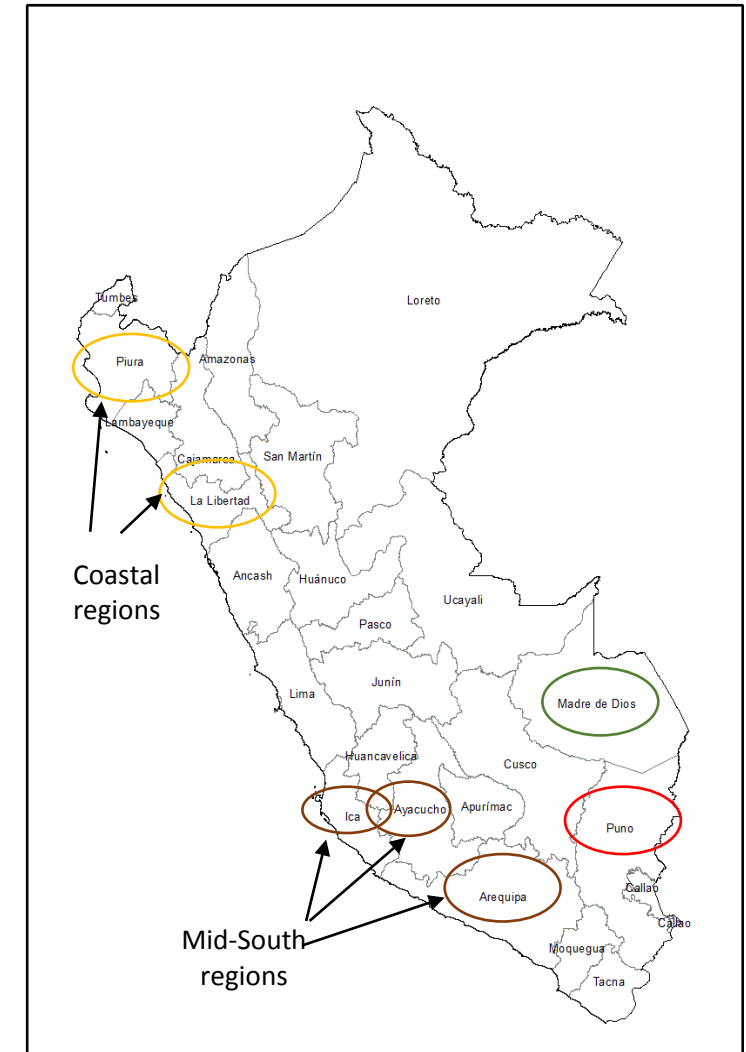


Mining the primary cause of social and environmental conflicts (Sanborn and Dammert, 2013).

5. ASM and Sustainable Development in Peru

- Alluvial and vein mining.
- Represents 16,6% of Peru's gold production (UNEP, 2012)
- Directly employs 300,000 people, half are informal or illegal miners (SPDA, 2013; Semana Económica, 2014)
- Peru's most profitable illicit activity (Poder, 2015), costing the state USD 305 million annually in non-collected direct taxes (MINAM, 2013)
- Madre de Dios (MDD):
 - Over 30,000 informal ASM miners
 - Deforestation of 50,000 hectares of rainforest in the last decade
 - Direct cause of GDP growth: up to 8,16% in 2011
 - 2005-2011: Poverty from 30,8% to 3%
 - Deficiencies: 51% households have access to piped water

Peru's main ASM regions



1968-1980s. State-led mining and the rise of ASM

1968 Velasco's
coup d'état

- Inward-oriented economic model
- 1971 General Mining Law
- Companies expropriated and nationalized
- Public debt exceed 40% of national GDP (IPE, 2009)

1980s return of
democracy

- Anti-inflationary packages
- Sendero Luminoso: initiated an open armed conflict against the state
- 1990s: inflation had reached 7,500%

Impact on the
mining industry

- LSM scared away impoverished populations affected by terrorism migrated to coastal and southern regions and pursue ASM where mining projects had been abandoned (Glave and Kuramoto, 2002)
- 1980s: ASM represented half of Peru's gold production

1990s. Neoliberalism and the negligence of ASM

1990s – Fujimori

- Washington Consensus market-friendly policy recommendations
- Free commercialization of gold, suppressed the state's concessions over natural resources, and encouraged private investors to engage in exploitation.
- Unique Ordered Text of the General Law of Mining (UOT)

Impact on LSM

- Re-establishment of a primary-export-led economic model
- 200 mining operations privatized
- 1991-1990: mining concessions increased from 2 million to 15 million hectares

Impact on ASM

- Privatization led to numerous lay-offs of workers who turned to informal ASM as a source of livelihood (Gamarra and Reinoso, 2009)
- 1998: ASM directly employed 40,000 people (Hruschka, 2001)
- UOT did not introduce any incentives for this sector. It referred to artisanal and small-scale miners as 'small producers', and assigned them the same financial and technical requirements as LSM companies (Kuramoto, 2001).

1999-2005. From indifference to promotion: The legal recognition of ASM

Late 1990s

- Expensive legal requirements inhibited the formalization of miners who, displaced by large-scale projects, spread to indigenous lands causing social conflicts (Medina et al., 2005).
- MEM forced to be open to initiatives that recognized the contribution of ASM to economic growth (Kuramoto, 2001).

Project GAMA

- COSUDE – Swiss pressured to secure high environmental standards of their imports
- 9 year agreement with the MEM to improve miners' environmental, technical and safety practices, and promote their formalization
- Goal: Break ASM's poverty cycle through providing miners' access to mineral deposits (Chaparro, 2000; Hruschka, 2001)
- Challenge: miners were not organized

Outcomes

- 80% of miners formalized (Glave and Kuramoto 2002; Interview with consultant, 2015)
- Positive results well received among congressmen from Puno and southern regions whose supporters were part of the expanding ASM sector (Gamarra and Reinoso, 2009)
- 2001: Donwfall of Fujimori/Toledo's was receptive to policy recommendations that enhanced citizen participation
- 2002: Law 27651, Law for the Promotion and Formalization of ASM
- CASM held international meeting in Peru

2005-2008. 'Gold rush' and the emergence of environmental conservationist ideas

Gaps

- The state transferred the responsibilities of supervision and expedition of concessions from the MEM to its regional bureaus (Álvarez et al., 2011). However, it failed to assign adequate resources and did not train regional governments on the topic (Medina, 2014).
- 2002 – 2011: Regional governments granted miners over 66,600 land concessions that frequently overlapped with indigenous population' lands and protected natural areas (UNEP, 2012; Álvarez et al., 2011).
- The state did not guide miners or supervise concessions, undermining the organized expansion of the sector (Medina, 2014)

Gold rush

- 2005-2011: rise of the global demand for minerals and the construction of the Inter-Oceanic Highway that facilitated the access to the Peruvian rainforest. ASM EXPANDED
- Inability of regional governments to process the high volume of requests for licenses, miners were encouraged to operate without permits, use heavy machinery and invade natural protected areas
- Miners with multiple land concessions increased as they refused the change of regime, adhering to the tax benefits of Law 27651

Outcomes

- New political actors: national and regional associations of artisanal and small-scale miners
- 2008: President García created the Ministry of the Environment

2009-2014. 'We are not like them': The criminalization of ASM

2009

- “Ecologic catastrophe” in MDD (La Nación, 2014; Interview with former representative of the MINAM, 2015)
- García introduced the term ‘illegal’ into the mining legislation to refer to artisanal and small-scale miners operating without a license in protected natural areas and/or exceeding the maximum production capacity stated by law.
- Emergency decree to forbid ASM in bodies of water in MDD.
- Reaction from ASM organizations/CASM dissolved

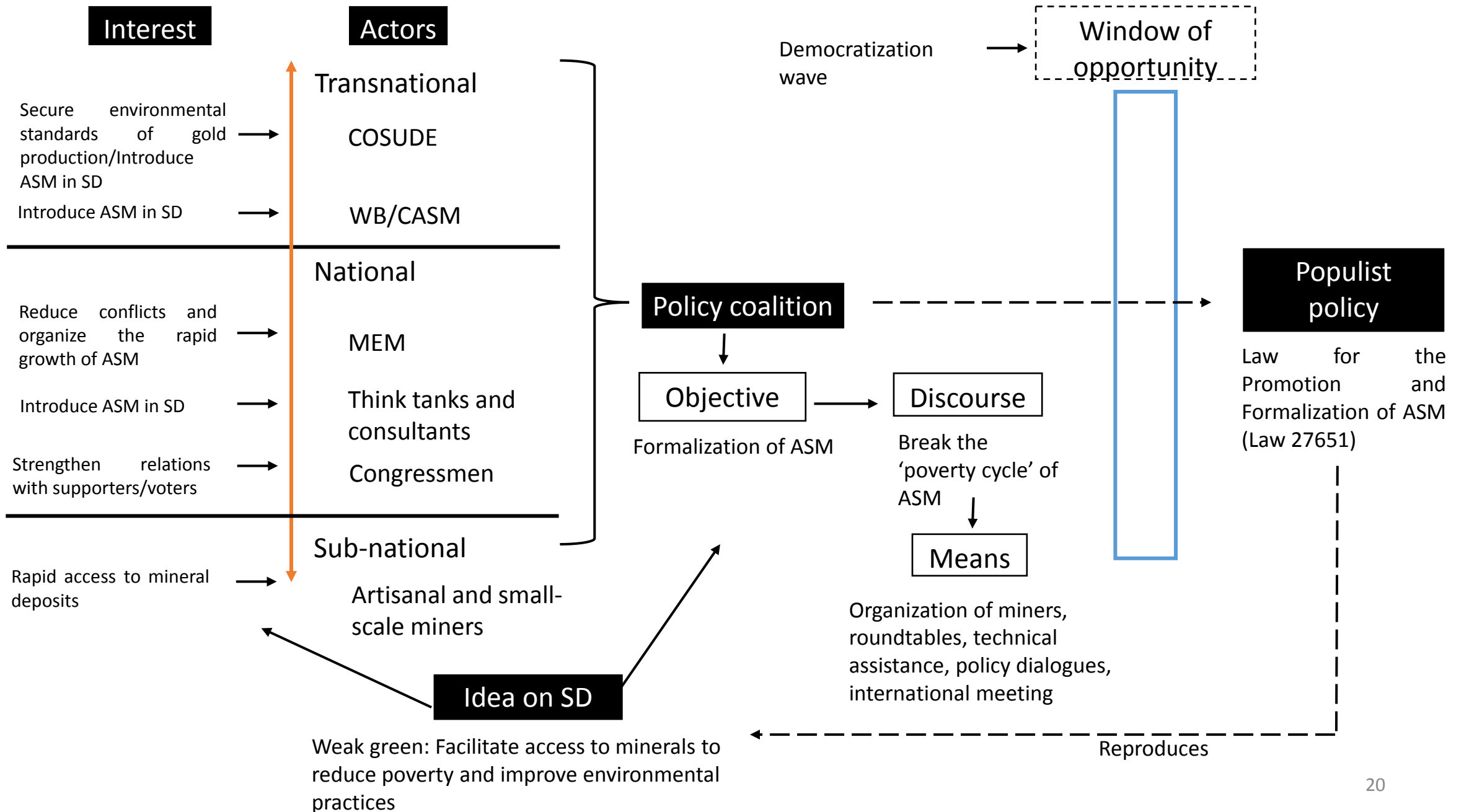
2011

- 2011: President Humala named Pulgar-Vidal the new Minister of the Environment
- Under Pulgar-Vidal’s leadership, the MINAM lobbied for Peru to engage in the protection of its rainforest (Interview from researcher from TTb, 2015)
- Media campaign against illegal mining in supported by representatives of LSM companies

2012-2014

- 2012: Humala presented nine legislative decrees to address illegal mining- CRIMINALIZATION.
- 70,000 illegal miners initiated the formalization process and that fewer than half fulfilled the requirements to complete it (MINAM, 2013).
- Corruption cases between miners, subnational governments and the police proliferated, and illegal ASM expanded throughout the country (Interview with researchers from TTa and TTb, 2015)
- ASM regional power

1st shift: Formalization of ASM

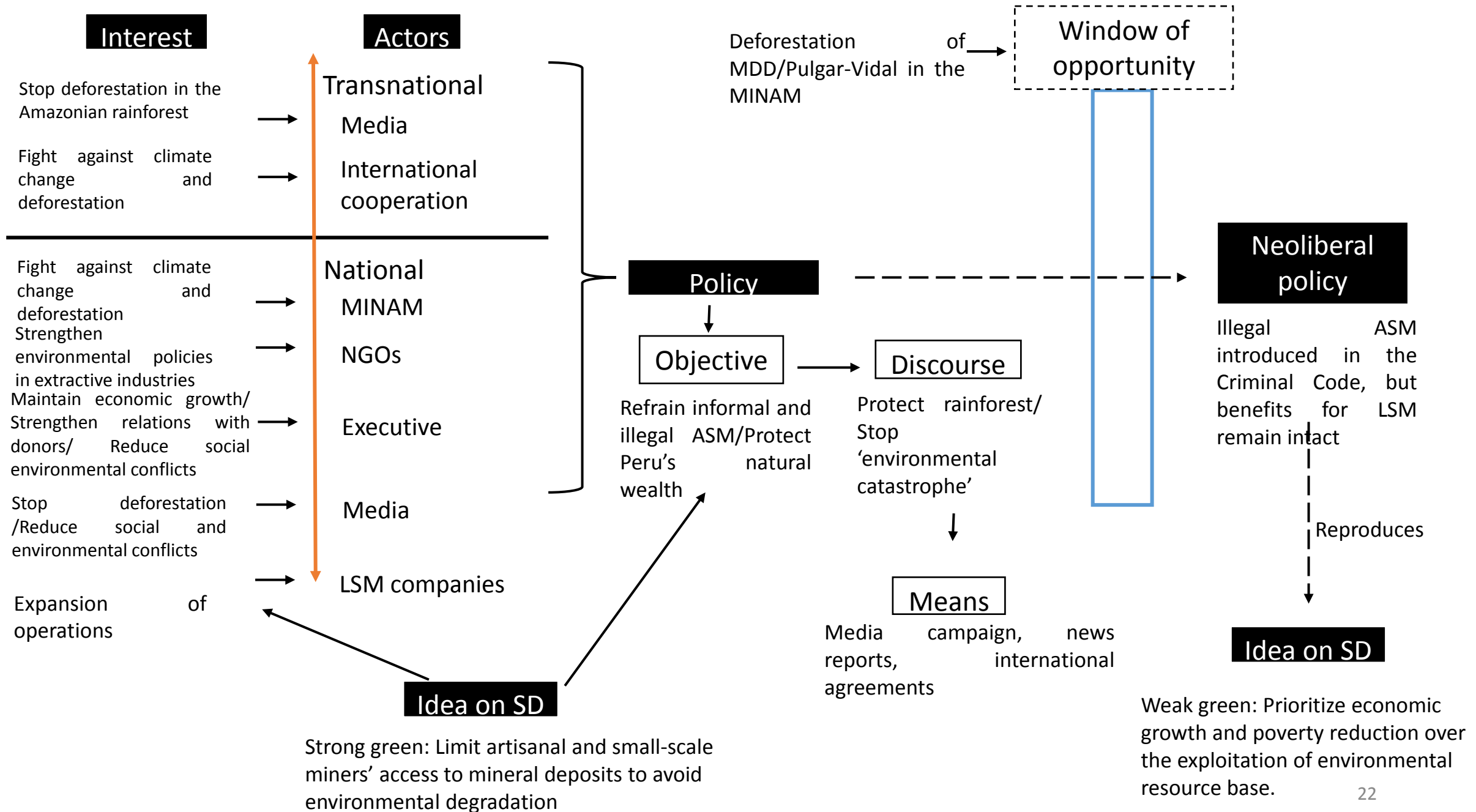


5. ASM and Sustainable Development in Peru

Effects of shifts

- ‘Populist’ coalition:
 - Recognition of ASM as a formal industry and were able to integrate it into the national poverty reduction agenda (Medina et al., 2005; CASM, 2002)
 - ASM organizations with a platform to bargain with the state as to the number of hectares they could exploit--Peruvian ASM sector has one of the most generous legal frameworks regarding land concessions in the region (Interview to researcher of TTa, 2015).
 - Coalition was responsible for shaping ASM organizations into new political actors, and for improving their capacity to negotiate their rights to these resources (COSUDE, 2008; Medina et al., 2005; UNEP, 2012).

2nd shift: Criminalization of ASM



5. ASM and Sustainable Development in Peru

Effects of shifts

- ‘Neoliberal’ coalition:
 - Criminalization of illegal ASM facilitated the formal establishment of a discourse in which mineral extraction is encouraged provided that it is practiced by actors capable to guarantee the use of ‘clean’ technology and to provide the government with a direct source of taxes (Interview with researcher TTa, 2015).
 - Legislation that forces ASM to the periphery of Peru’s development agenda as miners are not provided with the resources, the assistance or the incentives to fulfil the requirements for their formalization (Hilson and McQuilken, 2014; ILO, 1999).
 - Miners reproduce informal institutions - such as corrupt practices and the infringement of protected natural areas - to continue accessing minerals.
 - Miners are challenging the ‘rules of the game’ on the governance of minerals, and with it, the legitimacy of LSM companies and the state in the political settlement—SD and democratization of RG.

6. Conclusions

- How actors interpret SD and define environmental policies results from power negotiations, thus making SD an intrinsically political concept.
 - Understanding how SD impacts the institutional framing regarding natural resource governance requires an analysis of the coalitions that support these policies and form these alliances, and what their ideas and interests are concerning the environment and its resources.
 - Success (or failure) of policy reforms to diminish the negative environmental impact of extractive industries does not rely solely on technical solutions, but rather, on the commitment of the ruling coalitions to an SD agenda.