Mining and Development in Peru

With special reference to the
Rio Blanco Project, Piura

Delegates

Anthony Bebbington: Geographer; rural development in Andes; mining conflicts
Michael Connarty MP: Economist; planning expert; Chair, APPG Peru (inter alia)
Wendy Coxshall: Anthropologist; peace commissions; social conflict
Hugh O’Shaugnessy: Journalist; politics and economics of Latin America
Mark Williams: Hydrologist; Principal Investigator National Science Foundation high altitude Long-Term Ecological Research site; mining and water
Mining and Development in Peru: with special reference to the Rio Blanco Project, Piura

• Context: Peru, Piura, Monterrico
• Rio Blanco: the project
• Rio Blanco: mining and development
• Findings
• Wider issues raised by the case
CONTEXT:
Peru, Piura, Monterrico

• Mining and the economy
  • A story of rapid growth

• Mining and geography
  • A story of the old and new
  • 55% of 6000 campesino communities influenced
  • Concessions >>> uncertainty, risk

• Mining and history
  • A story of liabilities

• Mining and the state
  • A story of conflicting interests
Rio Blanco: the project

- Monterrico Metals: UK junior in Peru
  - Minera Majaz, its wholly owned subsidiary
- 2002/3 – begins exploration
  - On land owned by communities of Segunda y Cajas and Yanta
- DFS, Dec 2006: open pit mine
- EIA delayed – problems with both environmental and social components
- Zijn led consortium (China) bids
Local representations/market representations
- One mine? Or a mining district?
- A very big mine, but how big?
- Mineral duct, or road?
Timeline

• 2002-3
  – Community assemblies state to MEM they did not give permission to Minera Majaz

• 2004
  – “Massive” community assembly, march on mine site, one death

• 2005
  – Dialogue fails, second march, one death, injuries
  – Media campaign: accusation of “network of terror” involving priests, bishops and Oxfam staff
2006

− March 12th: violence which police reports link to MM staff
− August 9th: Ombudsman’s report 1: various constitutionally defined citizenship rights infringed
− September 11th: Majaz publishes apology
− November 20th: Ombudsman’s report 2: MEM knew MM had not satisfied legal provisions to gain surface rights, but gave permission anyway
− MEM affirms MM surface rights; effectively ignores Ombudsman’s report
− Opinion of staff at Ombudsman’s office: MEM is going against the law
2007

- Vice Minister acknowledges legal problems re MM surface rights
- March: Two supreme decrees further limit citizen participation and municipal powers to affect exploration and exploitation phases
- Opinion of staff at Ombudsman’s office: decree is explicit form of ignoring Ombudsman’s report
- March 15th: Death threat against human rights lawyer involved in case
Rio Blanco: mining *and* development

Development (World Bank + Amartya Sen)

- Economic opportunity
- Human security
- Empowerment
- Environment

**Mining and economic opportunity**: Hypotheses to be assessed

- Pathway 1: Multiplier effects in the local economy, local demand
- Pathway 2: Social responsibility and local development programmes
- Pathway 3: Taxes, royalties and fiscal redistribution (*canon minero*)
Findings

**Economic opportunity**
- To date very little
- Future ..... 

Pathway 1

- Modern open-pit mining uses advanced heavy machinery
- Few actual jobs will be created, and many will require non-local skills
- Most jobs in construction; multiplier effects of roads
- UN ECLAC (2006): Yanacocha, an enclave
Pathway 2

• Likely effects, quite limited

• The development team’s external relations work may crowd out development work

• Community development design similar to NGO programmes whose economic impacts have been disappointing
Pathway 3

• Municipal income *will* be unprecedented

• However other conditions need to be in place for this municipal budget to translate into development

• These conditions are yet to be met
Human security

• Real and perceived deterioration

• “Before we lived very peacefully”

• “We're not used to having police in our communities”

• Perceptions of livelihood insecurity

• HIV/STD risks: "a lot more immediate issues we have to resolve now "

Empowerment

- Lack of information
- Creation of parallel organizations
- Very weak public sphere
- Chronic inability to exercise voice and rights

- Third parties also unable to elicit response from central government
- Ombudsman unable to elicit response from MEM
- Legal and democratic instruments fail communities
Environmental security

Three of our domains of concern

1. Contamination from tailings piles and waste rock

• Our major worry is leaching of AMD from the mine site, tailings piles, and waste rock piles
• Contamination sources for centuries after mine closes
• Disseminated ore produces much more waste rock and tailings piles compared to ore concentrated in veins, compounding problem
2. Dry-filtered tailings approach has rarely, if ever, been tried in a high-rainfall area

- The area receives 2,000 mm or more of rain annually, concentrated in a wet season.
- Possibility of infiltrating rain transporting contaminants from tailings and waste rock into surface/ground waters.
- The high amounts of precipitation can cause waterlogging and wet debris flows if there is significant infiltration of rain.
- A combination of wet tailings/waste rock piles and an earthquake is of particular concern: slope failure is a very real possibility.
3. Contaminated groundwater

- It is likely that the depth of the open-pit mine will be below the local water table.
- That water will need to be pumped from the mine site.
- It is highly likely that this water will be contaminated with AMD.
- Treatment of this potential AMD is imperative.
Summary

• Doubts about economic opportunity

• Human security has deteriorated

• Disempowerment

• New environmental risks introduced
Wider issues raised

• Rio Blanco will likely trigger the transformation of Piura

  • A first mine among many?

  • Far more careful, strategic and informed thinking therefore seems sensible before jumping in

  • MEM processes do not allow this

➤ Strategic land use and regional planning is critical
• Rio Blanco has become emblematic of chronic problems in the governance of Peru’s mining sector

• Legal provisions are contested within government: while MEM’s legal office confirms MM rights, Ombudsman’s office questions legal basis of MM’s presence

• Community rights are chronically weak, and democratic mechanisms for defending them have failed

• System is prone to violence: recent government policy & practice aggravate this; company practice can trigger it

➢ In Peru, this is dangerous
• Translation of mining into development requires legitimate, responsive and careful governance arrangements: the canon is not enough

  – Do they exist?

  – Social responsibility and company behaviour
    • Improvements
    • Continued concerns re-consistency of messages conveyed

  – Does any institution have the legitimacy to pull this off

  – Our fear: in their absence mining will proceed without development and through exercise of authoritarian power

  – Should the focus be on mining and development, or also mining and democracy?
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