

**OXFAM AMERICA**  
RESEARCH BACKGROUNDER

# **Summary of reports on mining and development in the province of Espinar, Peru**

Gerardo Castillo Guzmán



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America

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# OXFAM AMERICA'S RESEARCH BACKGROUNDEERS

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## Author information and acknowledgments

This summary was prepared by Gerardo Castillo Guzman, director general of Societas Social Analysis Consultants and associate researcher at the University of the Pacific, Lima, Peru.

## Citations of this paper

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# ABBREVIATIONS

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CSR	corporate social responsibility
ECLAC	Economic Commission for Latin America and the Caribbean
MPE	Espinar Provincial Municipality
NGO	nongovernmental organization
SER	<i>Servicios Educativos Rurales</i> (Rural Education Services)
SLO	social license to operate

# FOREWORD

The history of mining in Peru's Espinar Province has involved decades of extraction by various companies with different legal frameworks, property regulations, environmental standards, and social responsibility. Mining in Espinar Province is the first successful experience in Peru involving the construction of a space for dialogue and direct negotiation between communities in a mine's area of influence and the mining company, together with the participation of national and international nongovernmental organizations (NGOs) as guarantors of the process. It is also the first case in Peru of a model through which the company contributes to local populations, providing them with a percentage of profits beyond its tax commitments with the state. On the other hand, the processes experienced by Espinar's population exemplify the promises and contradictions that different populations and territories in the country have to live with when it comes to mining activities.

For the last 15 years, Oxfam has been actively working on issues to guarantee better governance of extractive industries and respect for the rights of indigenous peoples. Oxfam has been involved in the Espinar case for many years, supporting, studying, and learning from its different dynamics, and today we can share the principal challenges and bottlenecks implied in moving from dialogue processes to institutional development processes with the participation of different stakeholders, including the state, the mining company, and communities.

This document is an English summary of two reports (both prepared in Spanish) regarding mining and development in Espinar Province.<sup>1</sup> It describes the principal bottlenecks limiting the transformation of significant investment into forms for sustainable social and economic development in territories where communities live with mining and proposes roadmaps for consensus-based solutions among economic, social, and political stakeholders.

The two reports were prepared within the framework of the collaboration with the Ford Foundation, in which we participated with two partner institutions, *Servicios Educativos Rurales (SER)* (Rural Education Services) and CooperAccion.

The first report, "Mining, Development and Municipal Management in Espinar," prepared by SER, has two components: "From Mining Corridor to Regional Project: Espinar and the Highland Provinces of Cusco," by consultant Eduardo Cáceres, and "Implementation of the Investment Program by the Provincial Municipality of Espinar, Cusco: Assessment and Recommendations to Improve Performance," by Jaime Rojas. The second report, "Evaluation of Public and

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<sup>1</sup> This summary was prepared by Gerardo Castillo Guzmán, director general of *Societas Consultora de Análisis Social* and associate researcher at the *Universidad del Pacífico's* Research Center.

Private Investment in Espinar Carried Out Within the Scope of the Tintaya Mining Project," was prepared at Oxfam's request by Laura Soria, a member of *Societas Consultora de Análisis Social (Societas)*.

# HISTORIC FORMATION OF THE ESPINAR REGION

The component of the first of the two reports on mining and development activities in Espinar Province that was prepared by Eduardo Cáceres, “From Mining Corridor to Regional Project: Espinar and the Highland Provinces of Cusco,” proposes the concept of “region” as a geographic, social, and cultural continuum based on the administration of determined natural resources by specific stakeholders. Specifically, he presents a historic view of the so-called “highland provinces of the Cusco Region,” in which Espinar has been and continues to be the central focus.

Cáceres points out that in pre-Hispanic times, the Canas and Canches overlords in the region established ties with Aymara populations located around Lake Titicaca, and during the colonial era the area served as a corridor linking highland zones with livestock to the highland plateau to the south and the inter-Andean valleys of Cusco to the north. The region has been characterized by livestock and commercial activities, which provide peasant families with a diversified economy and significant migratory experience.

## **Impact of mining development**

Large-scale mining development that started in 1960 accelerated existing processes and tensions, with particular influence on migration and urbanization. In addition, the establishment of a Framework Agreement with BHP Billiton, which has been maintained by its successor, Glencore Xstrata, has led to important changes in local institutions. This is due to two reasons: the presence of a new institutional space with important financial resources that has, in certain ways, displaced municipal governments, and the rise of opposing visions of development. There is, on the one hand, a vision of development based on agricultural activities (which the author considers more sustainable and diversified) and, on the other, a development vision based on mining or extraction. Conflicts arise as a result of these opposing visions and activities, leading to the formation of new stakeholders (principally urban), which is accompanied by serious political erosion.

## **Recommendations for easing conflicts**

Cáceres proposes a few recommendations within this context:

- Reestablish links between the primary civil society stakeholders and institutions in the province and the Cusco region around a concrete and



shared vision of development in the medium term, using as a model the master plan for provincial development prepared by the Development Committee of the Espinar Province between 1999 and 2000.

- Promote the creation of new civil society leadership capable of presenting regional proposals for the medium and long term.
- Strengthen training of public administrators in municipal governments.
- Reduce economic and political dependency on mining in the province through increased state intervention.
- Create democratic mechanisms for financial, as well as environmental, monitoring.
- Foster specific initiatives geared toward women in regional leadership spaces, public administration, and productive projects.
- Promote study of and dissemination of the K'ana identity, given the central role it has played in the province's historical development.

# ASSESSMENT OF THE PROVINCIAL MUNICIPALITY OF ESPINAR'S PERFORMANCE IN CARRYING OUT INVESTMENT

The component of the first of the two reports that was prepared by Jaime Rojas, "Implementation of the Investment Program by the Provincial Municipality of Espinar, Cusco: Assessment and Recommendations to Improve Performance," identifies shortcomings that limit the efficiency and quality of investment by the Espinar Provincial Municipality (MPE).

The author identifies and analyzes these shortcomings after introducing the issue of fiscal decentralization within the framework of mining income and reviewing the legal norms related to the country's system for public investment.

The MPE has increased the amount utilized in its investment budget annually since 2007, the first year from which the report presents data, but the percentage is still extremely low. Use of the investment budget increased from 15 percent in 2007, during the first year of former Mayor Lindley Salinas' term, to 56 percent in 2010. The administration of current-mayor Oscar Mollohuanca increased investment from around 30 percent in 2011, his first year in office, to around 60 percent in 2012.

Interviews conducted by Rojas with civil society leaders and municipality authorities pointed to two major challenges that could explain poor implementation capacity: human resources and management instruments.

## **Human resources potentialities**

The report identifies a series of human resources potentialities, especially in the new municipal administration:

- Existence, although limited, of multidisciplinary teams with experience.
- Creation of spaces for managerial coordination to improve acquisitions.
- Improvement in the relationship with beneficiary groups.
- Experience in implementing rural projects.
- Existence of authorities with a high level of local commitment.

At the same time, serious problems exist, including:

- Little experience and specialization on the part of authorities in the implementation of investment projects.
- High rotation among appointed and contract personnel, which make learning periods chronic.
- Duplication of responsibilities and initiatives.
- Little knowledge and experience in management of innovative projects.
- Deficit of specialized personnel in strategic areas.
- Low level of awareness of institutional objectives.

### **Management instruments problems**

With respect to management instruments, Rojas cites the following problems:

- Local governments have administrative autonomy within the National Public Investment System, but local authorities possess a low level of understanding of the system and lack guidelines for consulting on project preparation.
- The widespread perception of corruption in contracts and tenders led the current administration to exclusively use a direct administration system. This has led to serious limitations in the design, implementation, and supervision of projects.
- Scant compliance with timelines established in technical designs for projects.
- Deficient planning of investment programs.
- Little regulation in municipal norms in processes for the preparation, monitoring and execution of projects.
- Lack of auxiliary programs in logistics, treasury, and accounting.

### **Public investment program improvement recommendations**

Faced with the management instrument problems noted above, the report proposes diverse recommendations for improving the performance of public investment programs in local governments, in general, and for the Espinar provincial government in particular:

- Municipal administration, including the mayor, must implement a communication strategy so civil society and grassroots organizations can better evaluate ways in which public investment is carried out.
- Implement other participatory mechanisms for public investment execution, such as units regulated by the Peruvian government program of technical support to local governments known as PROCOMPITE.
- Improve the management capacities of public authorities in a significant and sustained manner.
- Base the distribution and use of human resources in municipalities on their specialization and experience.
- Foster multidisciplinary teams and discourage excessive rotation among personnel.
- Move toward a clear definition of objectives and institutional reform.
- Prepare guidelines and manuals on procedures for different municipal management systems.
- Implement auxiliary programs in logistics, treasury, and accounting on the foundation established by the Integrated Financial Administration System.
- Create institutional communication channels between principal municipal divisions.
- Make salary policies for authorities more flexible, based on specific cases.
- Make the demands of administration systems more flexible and recognize the enormous heterogeneity of local governments and populations.
- Promote more-fluid communication between principal divisions to improve consultation and technical assistance processes.
- Promote merit-based mechanisms with local government administration.
- Foster the creation of networks of municipal authorities at the provincial and regional levels as a way of contributing to the formation of a critical mass of highly trained professionals with experience in public administration.
- Move ahead with the decentralization of the contracting system i

# COMPLEMENTARITY AND DISAGREEMENTS BETWEEN PUBLIC AND PRIVATE INVESTMENT IN ESPINAR

The principal objective of the second report on mining and development activities in Espinar Province, “Evaluation of Public and Private Investment in Espinar Carried Out Within the Scope of the Tintaya Mining Project,” prepared by Laura Soria, was to evaluate the orientation, administration, amounts, and distribution of resources available through public and private investment. In the case of public investment, the source of resources is the mining *canon* managed by the MPE and district municipalities in the province. In the case of private investment, the resources come from the voluntary contribution of the mining company in compliance with agreement adopted in the Framework Agreement and managed by the Tintaya Foundation.

Two techniques were used to gather information for the report:

- Review of documents produced by public and private institutions to collect and systematize budget information in the Espinar province.<sup>2</sup>
- Semi-structured interviews with authorities in public and private institutions to understand their perceptions on development of the budget cycle and projects implemented by provincial and district municipalities, as well as by the Tintaya Foundation.<sup>3</sup>

The examination of the management of financial resources included a review of the planning, implementation, and evaluation of both the budget cycle, which allowed for identification of problems in budget planning and execution, and the project cycle, which allowed for identification of the perception of local stakeholders regarding their participation, or lack thereof, as beneficiaries in the design, implementation, and evaluation of projects.

The evaluation covered the period between 2004 and 2012. In addition, the analysis of budget information included a comparison of how resources were

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2 The primary sources consulted were the Economy and Finance Ministry information-transparency portal and the Xstrata Copper website.

3 The first work was carried out in the city of Espinar, June 17-22, 2013. A group interview with Xstrata Copper officials was done in the city of Lima.

managed during the first two years of the two most recent municipal governments (2007–2008 and 2011–2012), as a way of covering similar periods.

The report presented the social-economic context and the conceptual framework used prior to analyzing the results of the evaluation.

## **Census findings**

Using official information from censuses carried out from 1981, the report highlights three central aspects:

- Human development indicators (education and health) from 2007 show a return to levels found in 1981. These indicators fell dramatically in the 1993 census, most likely as a result of the political violence and economic crisis that adversely affected rural zones in the southern Andes, including Espinar. The recuperation of these indicators, however, was not accompanied by gender equity and the gender gap, for some of these indicators actually increased; this is particularly noticeable in the case of education.
- The process of urbanization and concentration of the population accelerated in certain districts (Espinar and Coporaque). The rural population in the Espinar province dropped by 42 percent between 1981 and 2007.
- As a result of the previous trend, there was an improvement in indicators involving access to basic services and housing. For example, while only 7 percent of the province's households in 1981 had access to piped water from the public network, the number increased to 49 percent in 2007. Nevertheless, the improvement in services to households in the province has not been accompanied by family investment to improve homes. In 1981, for example, nine out of 10 homes in the Espinar province had dirt floors; 26 years later, eight out of 10 homes still had dirt floors. This situation could be linked to complex emigration and immigration patterns, as well as to the existence of families owning two homes and choosing to invest in other areas (Arequipa, for example) and not in Espinar.

In addition, these investment processes are framed within the context of decentralization reforms that began more than a decade ago. These reforms achieved notable results and allowed for the state to interact with the population through diverse participation mechanisms.<sup>4</sup>

## **Significant challenges remain**

The challenges, however, are still significant:

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<sup>4</sup> For example: a) Consensus-based development plans prepared jointly with citizens, which guide result-based budgets and investment; b) Participatory budgets aimed at distributing budgets more equitably; c) Regional and Local Coordination Councils, which are spaces for coordination and consensus-building; and d) Open hearings, citizen assemblies, referendums, and mechanisms for recalling elected authorities.

- Quality of regional investment and use of regional budget for strategic development projects are still limited.
- Dependence of subnational governments on transfer systems from the central government is high, and progress has not been made on decentralization of tax policies.
- Excessive number of levels of government (provincial, district, and population centers) persists, with weak links between them.
- A weak level of administrative capacity among municipal authorities, budget difficulties in contracting qualified personnel, limits on salaries, and high rotation of personnel remain, due in part to political criteria.
- A system for extractive canon distribution is concentrated in some territories, creating enormous inequality between and within regions.

Private investment channeled through the Tintaya Foundation falls within the concept of corporate social responsibility (CSR). As such, the “social license to operate” (SLO) refers to an acceptance of mining companies and the scope of projects within local populations. The goal is to establish good relations between the interested parties to guarantee operation of a determined project. This license is a key factor for reducing the risk of social conflicts and the possibilities for cost increases due to delays in operations (risk management) and inadequate management of a company’s image (brand management). The parties involved grant this license based on the company’s credibility and the kind of relationship it fosters with local populations. This kind of license is dynamic, given that the perceptions of interested parties change over time for different reasons: level of satisfaction through compliance with promises and obligations, environmental harm, and unforeseen incidents or availability of new information, among others. Providing material goods does not guarantee a social license to operate, although it may be an important factor. In addition, the current specialized literature reveals a debate in which efforts to secure a SLO do not necessarily lead to sustainable local development and could actually impede it.

With the goal of locating a point of comparison for the orientation and distribution of public and private investment, the report used as a framework the holistic vision of development prepared by the UN Economic Commission for Latin America and the Caribbean (ECLAC). This allowed for a definition of how much of the investment in the Espinar province is geared toward integral territorial development. The holistic vision of development alludes to the necessary links of economic, social, and environmental dimensions and implies advancement in three directions:

- Structural change geared toward more knowledge-intensive sectors.<sup>5</sup>
- Reduction of internal and external gaps in income and productivity.<sup>6</sup>
- Equal rights.<sup>7</sup>

The role of the state is essential in generating structural changes for equality, as well as guaranteeing efficient interactions between local institutions

### **Public and private investment evaluation**

Based on these considerations, Soria's evaluation of public and private investment in the Espinar province presents the following findings:

- *The amount of public investment was far greater than private investment.* As a result of operations at the Tintaya mine, Espinar province had a total budget of 617,969,496 soles between 2004 and 2010, which works out to an annual average of 9,097 soles per inhabitant.<sup>8</sup> These resources came from two sources, transfers to provincial and district municipalities through the canon mechanism and contributions from the mining company through the Framework Agreement. Public investment was 2.6 times that of private investment during this time, with amounts totaling 448,722,440 soles and 169,247,053 soles, respectively.
- *A large portion of the amounts transferred through the canon system were not used, and the transfers reveal strong geographic imbalances.* The Espinar province between 2004 and 2012 received a total of 796.82 million soles through the canon. The majority of the resources (93 percent) were transferred in the last six years (2007-2012). Although transferred to the provincial municipality and district municipalities, the resources were concentrated in the Espinar provincial municipality (47 percent) and Coporaque district municipality (25 percent). Municipalities just used 59 percent of the resources transferred or, in other words, of every 10 soles that were programmed, only six were used.
- *High dependency on funds coming from mining activity.* The funds originating from canon transfers and the Framework Agreement accounted for 86 percent of the total resources received by the province between 2004 and 2012. These funds are highly specific and correspond to relatively short

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<sup>5</sup> Included issues of sectoral policies, diversification of production, improvement in local production capacity, production of capital goods, and development competitiveness policies in international markets.

<sup>6</sup> Related to macroeconomic policies of economic stabilization, transformation of the productive structure, and progressive redistribution of income.

<sup>7</sup> Related to employment and income generation, social protection, and social spending.

<sup>8</sup> Exchange rate of s/2.7 per dollar.



periods of time, revealing the extreme dependency and fragility of the province's economy.<sup>9</sup>

- *High level of centralization of canon resources in spending plans.* Of the 17 budget lines, the MPE concentrated spending on four: transportation, planning, agriculture, and sanitation. Both periods analyzed (2007– 2008 and 2011– 2012) revealed a weakness in executing sanitation projects. The projects with the highest completion level were those involving planning.
- *Canon spending is geared toward improving immediate quality of life issues and does not address structural changes for productivity or competition.* Examination of the budget lines for the province's municipalities shows that for every 10 soles, six were aimed at improving the quality of life of residents (equal rights), three soles were for creating a favorable environment of investment (income and productivity), and less than one sol was invested in development of local productivity and competition (structural change). In addition, while priority was given to projects under the equal rights dimension, these registered the lowest level of completion in terms of amounts invested. The greatest weakness in budget execution was in the health sector, where only one out of every 10 soles budgeted was used.
- *New municipal administrations in the province improved capacity for investment.* For every 10 soles the province municipalities planned to invest in 2007 and 2008, only five were earmarked for implementing projects within the structural change dimension, four for equal rights, and one for income and productivity. The projects in the areas of health and sanitation presented the greatest difficulties for implementation during this period. The municipalities failed to invest 200 million soles during this period.

Investment in these same municipalities in the 2011-2012 was more balanced, with 41 percent for structural change, 35 percent for equal rights, and 24 percent for income and productivity. A low level of execution, similar to the previous period, was recorded for health projects, with less than 1 sol invested out of every 10 budgeted. The municipalities failed to invest more than 150 million soles during this period.

- *Little alignment between the province's development objectives and investment by the MPE.* Both periods, 2007-2008 and 2011-2012, revealed difficulties in linking municipal investment with planning instruments, specifically the objectives of the province's Consensus-Based Development Plan. In the 2007-2008 period, the projects under the equal rights dimension, which is the second budgetary priority, occupied the last spot in

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<sup>9</sup> Nationally, local governments rely on 43 percent of their budget resources transferred by mining royalties.

development objectives. A similar situation existed in the 2011-2012 period, with projects in the structural change dimension occupying the first budgetary priority, while they were the second priority in province's development objectives.

- *Weak planning capacity in the MPE.* There was an increase in the number of projects prepared when comparing the 2007-2008 and 2011-2012 periods, with 164 formulated in the first period and 228 in the second. This meant an increase in the amount planned from 115 million soles to 214 million soles, respectively. However, a serious weakness can be seen in the planning capacity for the budget. Between 2007 and 2008, only one out of four projects registered in the PIM (Modified Institutional Budget) was included when the PIA (Initial Institutional Budget) was prepared. In the 2011-2012 period, only one out of every 10 projects considered in the PIM had been formulated in the PIA. This has a direct influence on project execution. For example, in 2007 none of the 10 principal projects registered in the PIA advanced more than 10 percent toward completion. In addition, seven of the 10 projects were not carried out.
- *Urban investment prioritized over rural investment.* The seven projects in the 2007 PIA that were not carried out included those corresponding to improving schools and health establishments, tourism infrastructure, roads, small irrigation projects, and/or dams. In other words, projects that were most likely located in rural areas of the Espinar province were not carried out. The three projects in the 2007 PIA that saw the most significant progress were sanitation works, street paving, and urban roads located in the province's urban center. Within this group is the Municipal Stadium, which was brought to a standstill in 2011 and restarted in 2012, with the cost increasing by 100 percent.
- *Weakness carrying out projects within the structural change dimension.* Of the 10 projects included in the 2011 PIA, those tied to agriculture (irrigation systems) and transportation (road construction, suspension bridge) saw the most significant progress in budget execution. On the other side, two projects—improving the capacities of micro-entrepreneurs and improving dairy livestock—had with low levels of execution.
- *Private investment concentrated in the agriculture sector.* The first priority of private investment has been in the agriculture sector, which received one out of every two soles invested. The second priority is investment in education, which received one out of every five soles.
- *Distribution of private resources maintains geographic inequality.* The first place in private-sector investment is the district of Espinar, followed by the Coporaque district. While the geographic concentration of private sector

investment corresponds to a logic of risk management associated with the impacts of the project, within public investment this lack of proportionality generated greater levels of inequality and does not foster a holistic territorial vision.

- *The use of private funds is aimed primarily at improving local levels of competition and human capital.* Private investment is geared toward improving levels of local competition by supporting agriculture development and road infrastructure, as well as quality of life (education and health care). This is important for two reasons. First, the evidence contradicts the literature that states that the logic of investment in extractive projects is difficult to reconcile with the vision of local development. Second, it reveals the limitations and shortcomings of a state that transfers to the private sector the responsibility for fostering and managing regional development models.
- *Tendency of private investment to focus on less-productive projects, but at a larger scale, and on more small-scale social projects.* The past few years have seen an increase in the value of projects within the structural-change dimension and an increase in the number of projects with smaller budgets with respect to projects within the equal-rights dimension.

Soria states that proposing better designs for public policies requires several considerations regarding the particular characteristics of the mining *canon* system:

- It is part of the taxes paid by a sector that extracts finite resources that belong to the entire nation.
- This extraction generates important positive effects at the macroeconomic level but also has significant adverse effects among local populations and territories.
- These characteristics have fostered the idea that the *canon* is, in large measure, a compensatory mechanism.<sup>10</sup>
- This system for resource distribution, which is an extremely important component of the budgets in some regions and municipalities, falls within a conflicting process of administrative and fiscal decentralization underway in the country.

In this light, the mining *canon* system is a central component of economic and political processes in the country and management of it is part of the existing context of social tensions.

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<sup>10</sup> Compensatory in two ways. First, to compensate for the loss of natural capital through financial capital. Second, to compensate local populations and territories that may be impacted.

## Societas' recommendations

Societas' recommendations for the state, companies in the extractive sector, and civil society organizations—based on these findings and considerations—appear below.

Recommendations for the state:

- *Establish objectives and mechanisms with greater clarity.* The state needs to better define the objectives it wants to achieve and, based on these objectives, establish the appropriate mechanisms and identify stakeholders. If the objectives are compensatory (for environmental or social reasons), the distribution of a percentage of income taxes from mining to regional and local governments is not the best avenue. Other mechanisms exist, such as fiduciary funds or social funds, commitments in community-relations plans, direct negotiation, instruments used by environmental agencies, and the CSR plans of companies. In addition, the stakeholder who should provide compensatory funds is the one carrying out the economic activity, in this case the mining company, which needs to abide by the regulations and oversight established by the state. The objective of income tax distribution should be focused on substantial improvements in the quality of life of the population in a more-balanced way throughout the nation's territory.
- *Establish agreements among the different state levels.* The state should use dialogue to reach agreements among the different levels of government with the goal of establishing objectives for the canon system, as well as mechanisms for distribution, management, control, and monitoring. The central idea is not to eliminate fiscal decentralization but make it more equitable and provide it with more-precise development objectives.
- *Focus objectives on improving quality of life and structural change.* This implies focusing on improving basic conditions for the population regarding education and health and significantly reducing the existing gender, ethnic, and rural-urban gaps<sup>11</sup>. In addition, it means eliminating barriers to investment beyond infrastructure projects, concentrating on improving the quality of services offered by the state, and promoting competitiveness through technological innovation. This would be facilitated by a flatter geographic distribution.
- *Incorporate a regional (subnational) development focus.* This would imply expanding the competencies of regional (subnational) and local

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<sup>11</sup> The study suggests that while mining royalties are allocated to improvements in quality of life (while private funds are oriented towards productive improvements), both public and private sources have increased territorial inequalities.

governments to ensure that investment is geared toward economic structural changes at a territorial level.

- *Strengthen the work of promoting local development in provincial and district municipalities.* Focus primarily on zones with mining projects to ensure the quality of investment in public resources. This could include, for example, specialized, highly technical assistance to contribute to improving the design of investment programs and projects.
- *Reinforce the state's role as regulator and independent guarantor.* Regarding compensatory mechanisms, the state (through its different levels) must guarantee effective, timely, and independent regulation. In addition, the state must provide mechanisms to guarantee that negotiation processes are not undermined by asymmetrical relations that could exist between a company and local populations.
- *Strengthen the capacities of public authorities in municipal administrations.* It is necessary to improve the capacity of local authorities to identify, prepare, and implement projects for local development.

Recommendations for companies in the extractive sector:

- *Establish with greater clarity objectives for corporate social management and the mechanisms used.* Give priority to improving both production and compensatory system that improve future opportunities for families.
- *Establish alliances with all levels of the state* and participate in consensus-based planning processes in the territory, while recognizing that the task of providing quality basic services to the population is a duty of the state.
- *Incorporate a focus* aimed at reducing gender, ethnic, and rural-urban gaps in CSR policies and programs.
- *Carry out in a continuous and integrated manner participatory monitoring of the quality of life of local populations,* designed to understand changes in quality of life. This means including multidimensional variables: family income, social networks, life expectancy, perceived freedom when making decisions (i.e., migrating, buying-selling property, and getting married), healthy environment, gender violence, etc. These studies should be in the public domain and used as inputs for the design and implementation of CSR policies.

Recommendations for civil society organizations:

- *Provide information for and training* of civil society organizations so they can guide the demands of the population in mid- and long-term process for local

development and participate in processes for the design and administration of local development.

- *Ensure citizen oversight of the public budget*, particularly the resources from the mining canon. In the case of Espinar, civil society processes that contribute to the involvement of local populations in public investment have yet to be developed.
- *Strengthen the capacities of organized populations to advocate on public spending*. Improve the identification and selection of investment projects by citizens to channel investment toward reducing the social and economic gaps that exist in the territory.
- *Engage in policy advocacy to improve public spending from the mining canon*. Foster debate and propose alternatives for improving public investment in mining zones. One of the limitations for improving investment in provincial and district municipalities is related to the competencies of the municipalities to promote structural changes in their territories.
- *Prepare studies to evaluate the quality of public spending finance by the mining canon*, which corresponds to such questions as: How much of public spending has contributed to improving the quality of life of local populations? Have the urban-rural and gender gaps widened? Has public spending contributed to a reduction in social, political and economic inequalities in the territory?

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