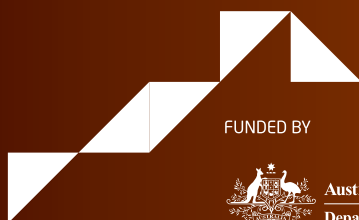


Peru Mining for Development Alumni Day

13 October 2014
Lima, Peru

HIGHLIGHTS

Mining for Development
in Peru: Challenges and
Responses



International Mining for Development Centre

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OVERVIEW

The Keynotes



Guillermo Shinno
Vice Minister of Mining

An Emerging Economy's Challenges in Mining

Keynote Vice Minister of Mines, Guillermo Shinno, said that Peru has become a world leader in mining. According to the Vice Minister, based on 2013 figures, mining accounts for around 62 percent of the country's total domestic export value and represents 14.4 percent of the total GDP of Peru. "In Latin America, we are the largest producer of zinc, tin, lead and gold; and the second largest producer of copper, silver, cadmium, molybdenum, selenium, among others," he said.

Mining investment has grown exponentially in recent years, reaching nearly 10 billion dollars by 2013. However, the Vice Minister noted that Peru, like many other mining countries, faces short and medium term challenges.

A key economic challenge in the mining sector, is Peru's aim to be the second largest copper producer in the world. By 2016, the country will produce 2.7 million tons a year, due to major projects such as Toromocho, Constanca, Las Bambas, Cerro Verde, Toquepala and Tia Maria. Peru also aims to be the fourth largest producer of gold and the second largest in silver.

Peru's most complex challenges, however are social, not economic. Social conflicts, explained Vice Minister Shinno, have their roots in ideological, political, economic issues and can be motivated by companies failing to honor their social or environmental commitments. One of the most important challenges for Peru and for the mining sector is to reduce the social gap and economic inequality. "Mining revenues contributes to the overall economy, but that money does not return to the towns in which the mine is located. Although there are companies that provide social responsibility programs, there has not been substantial progress. It is not the company's job to replace the government, but it is the Government's job to provide these basic services for human development," said the Vice Minister.

In April 2014, Ian Satchwell, Director, International Mining for Development Centre invited a small group of alumni to the Embassy of Australia to Peru and Bolivia to discuss multi-sector collaboration for Peru's medium and long-term mining vision. "The alumni who attended this event realised we did not know each other," said Rosario Santa Gadea, IM4DC alumnus and Peru Alumni Day coordinator. "We decided then to host the first Alumni Day in Peru."

The Peru Mining for Development Alumni Day was held on 13th October at The University of Pacifico and was an opportunity to share knowledge and achieve a shared vision on mining for development through keynote speeches from high level speakers, workshop discussions and panel presentations. The theme of the event was **"Mining for Development in Peru: Challenges and Responses"**.



"The core of our centre is to share the experiences of all, so that mining development opportunities can be realised more effectively. In that sense participation of all stakeholders is very important," said Robin Evans, Deputy Director International Mining for Development Centre, in his opening remarks.

The Alumni Day began with two keynotes, who provided an overview on mining in both local and global context. Guillermo Shinno, Vice Minister of Mines of Peru, outlined a general framework of Peruvian mining and Professor David Brereton, Deputy Director for Research Integration, The Sustainable Minerals Institute, The University of Queensland then followed with his presentation on "Mining in a Changing World: Governance, Challenges and Responses." He provided the audience with a global view of the industry and an international comparative perspective.

The Alumni Day was an opportunity for alumni to actively engage in workshop discussions on significant changes in

mining for development in Peru and offer solutions on mining challenges. At the end of the workshop, alumni presented their conclusions to all participants and their commitments to contribute to addressing Peru's challenges.

An alumni panel featured during the second half of the day, with alumni sharing their project implementation experiences following their IM4DC training. These lessons are reflected in a "Return-to-work Project", which commits course participants to apply their learning in their own work context. Panellists, Raul Diaz, Hochschule Mining / National Mining Society and OHS Leadership alumnus 2013, Valery Niño de Guzman, National Office for Sustainability Dialogue of the Presidency of the Council of Ministers and Masterclass Resource Governance 2014 alumnus and Oscar Matallana, University of Engineering and Technology, who participated in Environmental Management 2014 shared their experiences with discussions moderated by Fernando Borja, Institute on Mining Safety, and OHS Leadership 2013 alumnus.

Alumni who presented their conclusions collectively agreed that a multi-sector, multi-stakeholder approach is needed to accomplish better development outcomes, and that dialogue is key to conflict resolution.

In closing, Carlos Casas announced that the Center of Studies for Mining and Sustainability at the Universidad del Pacifico was being inaugurated the following day.

What are we doing in Peru?

In the mining industry, Peru's focus is on social management, with an emphasis on building early relationships between the government, the mining company, civil society and the community. In the past, stakeholders would interact with the community late in the process, at the operation stage however, today the Peruvian government emphasises developing this relationship from the beginning, at the exploratory stage.

Another development yielding good results is the decentralised, focused, real-time response to prioritised social issues. The Vice Minister said "quickly addressing cases of social unrest can prevent major conflict." The government has created round table sessions called Tables for Development where representatives from all stakeholders are offered a place and a voice. This consultative process encourages dialogue to find solutions and consensus over key community, project and mining matters. The power of these community forums, according to Guillermo Shinno is that "the community is involved and begins to see that the Government present alternative solutions."

Transparency in the context of corporate social responsibility is a key factor to be considered. In that sense, Peru is recognised by the Extractive Industries Transparency Initiative (EITI) as an **Achiever Country** for its transparent use of profits from the extractive industries. In addition, two regional governments, Moquegua and Piura, have also incorporated the EITI model into their administration enabling Peru to become the first country in the world to achieve this standard at the level of subnational government, said Guillermo Shinno.

Another major challenge for the mining sector is to balance the use of scarce resources such as water. Mining sector could serve as a generator of water building reservoirs for the community.

For example, Tomilla II is a treatment plant being built in Arequipa that will provide drinking water to 500,000 people. The plant, a US\$ 90 million investment, has a capacity of 1,500 liters per second, is located 2,800 meters above sea level and its reservoir has a 8000 m³ storage capacity.

Vice Minister of Mines, Guillermo Shinno



David Brereton
Deputy Director for Research Integration, Sustainable Minerals Institute, The University of Queensland

How can mining activities be used to realise key social development outcomes?

Professor Brereton began the second keynote presentation by emphasising importance of good governance in the mining sector. He reminded IM4DC alumni that "governance needs to be broader than government," particularly in our current economic context, where mineral prices are coming down and there are increasing social conflicts. "Governance is not about what the government should do, but it is about bringing other key players into the process of helping regulate and drive improvement in the sector", said Professor Brereton.

He pointed out that today's operational mining environment is quite different from the one that existed a decade ago. He cited the intensification of social conflict, worldwide, from Mongolia to Chile as an example. "It is not just a Peruvian problem," he said, "but it is a world problem."

Another global fact that rules the sector is that it has become more costly. On average, particularly in copper production, over the period 2004-2013, operating cost increased about 15 percent per year. That is a significant increase, said Professor Brereton. "Companies are really losing control of its cost which is producing a contraction... that is likely to continue in the near future."

Professor Brereton also commented on the changing environment along with the composition of the industry and market share trends, saying in the last decade, more emerging market companies, mainly from China and India, are becoming part of the Top 40 companies.

What should the government's role be?

Regarding the geopolitical conflicts provoked by a variety of factors, governments around the world should be asking themselves how to cope with cycles and volatility in the global minerals market, said Professor Brereton. "Particularly because nobody knows when the prices are going to go down or up again."

Since the sector competes on demands for scarce resources, such as water, land and energy with the community settled in an around mining activities, it is important to establish agreements about a balanced use of land and particularly water. If not addressed, there will be growing tension.

Perhaps, the greatest challenge, according to Professor Brereton, is to derive greater development benefits from mining. "How do you convert the benefits of the assets that sit on the ground into economic growth but also sustainable growth, with better social development outcomes: healthier people and better educated people?"

According to data from a report from McKinsey Global Institute, "Reverse the Curse: Maximizing the potential of resource-driven economies":

81 countries driven by resources account for 26 percent of the global GDP, in 2011. That number is up from 58 countries that generated 18 percent of world GDP in 1995.

Those countries account for 69% of people living in extreme poverty.

Almost 80% of countries whose economies have historically been driven by resources have per capita income levels below the global average, and more than half of these are not catching up.

Despite these big challenges, David Brereton highlighted examples of innovative governance around the world. He cited conflict prevention and management of Alumni Day country host, Peru, where their national government, civil society, mining companies and the local and subnational authorities work together at a Table for Development to solve issues before they escalate. He also spoke of other good examples, including Latin American Dialogue Group and the African Mining Vision, which contribute to capacity building and regional collaboration and the EITI's multi-stakeholder governance model, which has proven a very effective approach.

Closing remarks emphasised the importance of IM4DC Alumni Days, as an opportunity to bring people together from different sectors to exchange experiences. Professor Brereton said that while it is a great thing to share our successes, it is really important to evaluate our experiences and share that too because we learn better from our failures. "It is not about being perfect. This is all about doing better and keep aiming to do better," said David Brereton.

The Workshop Processes and outcome

Alumni were asked to give specific examples of significant changes in mining for development and prioritise why these changes were considered significant.

Among the most common changes alumni groups observed in Peru is greater convergence among multiple stakeholders towards government efforts. The government has taken a more effective approach to arrive at solutions and to respond more quickly to the demands of the community. Companies, on the other hand, have shown interest in building better and lasting community relationships. A significant breakthrough was, for example, passing the Law of Prior Consultation of Indigenous Peoples in Peru, which has raised the legal standard not only in the country but in the Latin American region.

Another common theme among alumni was recognising the key role that the Tables for Development are playing in the stakeholder agreement and resolutions process. By offering a meeting place for the mining company, local and national governments, NGOs and the community, to jointly try to solve specific problems, the Government becomes more visible to the people. IM4DC alumni highlighted that shared experiences between stakeholders improves the sector and can motivate change.

The development of new approaches in environmental management practices in order to reach a balanced use of natural resources, such as water management has also been a significant advance in the Peruvian mining sector.

**What changes are needed?
Who can make these changes happen?
How can alumni and IM4DC support this change process?**

Alumni identified the importance of implementing the Law of Prior Consultation of Indigenous Peoples among the greatest challenges to ensure hostile experiences such as Bagua, Conga and Tia Maria are never repeated.

Alumni also stressed that it is important to continue working on strengthening inter-governmental and inter-sectoral coordination to create faster responses to the needs of the community or to address potential conflicts that may arise.

They felt dialogue is key, not only to resolve conflicts, but to strengthen existing relationships between the different actors of the sector.

They also recommended mining companies continue working on their awareness of local community needs; to disseminate good practices that have had social and environmental benefits, and to commit to seeking a comprehensive vision of social management leading to social economic growth. The presenter of the outcomes of the workshop was IM4DC alumnus Joel Diaz, College of Engineers.

IM4DC activities in Peru

IM4DC has an integrated program of capacity building which offers a series of short courses for professionals in mining, as well as action research, fellowships, institutional linkages, advice to government, publications and a network of alumni. In the three years since IM4DC started in October 2011, it has offered 65 short courses to near 2,000 participants from more than 50 countries.

The Centre's multiple activities involving Peruvian participants has included workshops in various locations; conducted study tours to Australia; and has strengthened its relationships with alumni and institutions in various sectors such as government and academia.

2012

- ▲ Workshops in Trujillo, Lima and Arequipa on environmental issues and mine rehabilitation
- ▲ Study trip to Australia focused on indigenous agreement-making

2013

- ▲ A Peruvian group of participants attended a training program on mining linked to human development, in the Conference on Social Responsibility in Mining, in Santiago de Chile;
- ▲ Group Meeting Study Tour 2012 in Lima;
- ▲ Four-day workshop on 'prevention and conflict management in the mining sector: dialogue and relationship with regulatory processes'. in Lima

2014

- ▲ Full-day workshop on water in mining;
- ▲ Assistance to a short course in Universidad de Ingeniería y Tecnología (UTEC) in environmental management and rehabilitation in mining;
- ▲ Research project on the management of liabilities including acid mine drainage. Included a visit to three sites in the Puno region;

2015 - future activities

- ▲ Continue working on environmental issues and rehabilitation of mines;
- ▲ Activity with a focus on mine safety;
- ▲ Activity with a focus on community relations, particularly in regions.





Alumni panel summary

Community is a good word to define the panel which included Alumni Raúl Díaz, Oscar Matallana, Valery Niño de Guzman and moderator Fernando Borja. All agreed that what they gained from their courses in Australia exceeded their expectations.

On one hand, there was the excellent academic teaching and an eye opening experience said Fernando, but on the other, there was a level of personal experience and friendship that we established that went beyond our anticipations.

Raul, a physician at Hochschild Mining in Peru, explained how he and Borja both taught one of his classmates from Malawi how to swim at nights while they stayed in Perth, Australia, where the IM4DC program took place. "That was such a fun and rewarding experience," he said, "particularly because we were successful at teaching him how to swim." All panelists experienced a similar level of fraternity among their peers.

Raul also shared a few things he learned at his course, which he brought with him to incorporate in his daily work in Peru. He remembers being impressed by the Australian model, for instance: "how everything is so coherent, which facilitates for the process to flow easily," said Díaz referring to the mining industry in that country. Another thing was the value of academia and the importance of demonstrating a hypothesis and going beyond the personal experience in a job.

For Valery Niño de Guzman who works in the Government, the Presidency of the Council of Ministries, the most valuable thing was to expand his perspective of the industry with a more global view. "Due to the nature of my job I need to provide detailed analysis of social issues, which tends to narrow my view. Now I learned to see Peruvian matters in a global context; this provides me with a whole new level of skills, in which I can prioritize and simplify much better." Valery also valued learning from his classmates what other countries are doing, particularly in conflict resolution mechanisms.

Oscar Matallana, an academic at the University of Engineering and Technology, took the Environmental Management course. He is currently building a sustainable structure of applied research at his university and generating sustainable relationships with other institutions to create projects that can really accomplish raising development indicators in Peru.

The experiences in Australia were stimulating and the panelists encourage everyone who has the opportunity to take a course there. "This trip," said Oscar, "included a transfer of knowledge, as well as an exchange of valuable experiences, cultural and professional".

Final remarks

In his final remarks, Robin Evans emphasised the importance of continuing the collaborative work among alumni. "The projects that have started and are being developed in Peru through this network are very important for you, for the country and for IM4DC. These types of collaborative projects between government agencies, universities and NGOs constitute the success of our centre and we would like to stay in touch through the network."

Robin Evans also recognised the valuable work that Peru has been doing in social conflict management. "We have seen things being done in Peru that no other country is doing, which places Peru as a leader in this area, such as the Tables for Development."

David Brereton also recognised the influence of IM4DC in Peru in areas such as institution strengthening, capacity development, and gradual improvement in legislation; but also Professor Brereton remarked on the realistic sense of Peruvian alumni to identify what still needs to be addressed. "For us, researchers, to be able to influence in human development is perhaps the most rewarding work we can do, and we would certainly like to continue being involved in this kind of work."

Feedback overview

What was the most valuable piece of information you learned?

- “ The importance of multi-stakeholder and multi-sectorial joint efforts; generating and transferring knowledge to communities. Dialogue is the best tool and mechanism to resolve conflicts.”
- “ The reality of the relationship between the Government, companies and civil society in other countries.”
- “ The IM4DC’s work hub and systematisation of its cooperation with Peru. The national government’s initiatives, since their experience with Australia.”

Please comment on your overall experience of the program

- “ It was enriching to hear and meet participants from different sectors, their progress and their challenges.”
- “ Valuable information is collected in the meeting. Also, new approaches are collected and the meeting allows for establishing networks.”
- “ In Australia I knew experience in which indigenous peoples had access to mining companies and through this they obtained benefits. In today’s event, I learned that gradually it is generating a sensitisation between the State and the people, that situation help to open the dialogue at various government levels. Also, alumni exposed their positive experiences which focus on the dialogue.”



Acknowledgements

Special thanks to the Vice Minister of Mines of Peru, **Guillermo Shinno**, and to the Ambassador Designate of Australia to Peru, **Nicholas McCaffrey** and **Professor David Brereton**.

We also thank **Universidad del Pacifico** for hosting the Alumni Day in Peru 2014, in particular **Carlos Casa**, Director of Centro de Estudios and **Cynthia Sanborn**, Director, Research Centre at University of Pacifico.

We would also like to express our appreciation to the alumni organising committee, who took the initiative to suggest the event and then committed significant time and energy towards making the day so successful.

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Fernando Borja	Manager, Institute on Mining Safety
Oscar Matallana	Academic and Researcher, University of Engineering and Technology
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