Distribution of Mineral Wealth in Latin America: Case Studies in the Andes

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Agenda

- Explore how Mining countries have dealt both at the Macroeconomic level as well as at the local level.
- Emphasis in social impacts at the local/community level and social alleviation measures.
Macro Level: Benefits

- Mining has been usually welcomed by the Central Government because
  - Source of foreign exchange in countries with balance of payment’s current account deficits
  - Source of fiscal revenues
  - Infrastructure development in isolated areas: decentralization
Macro Level: Problems

- Instability of metals international price is a source of vulnerability for the country’s balance of payment and fiscal revenues that could generate fiscal deficit with inflationary repercussions.

- Example: Chilean Copper Stabilization Fund to neutralize fiscal revenues instability.
Macro Level Problems

- Dutch Disease type of Problems:
  - Real Exchange Rate appreciation with weak financial markets
  - Unemployment in other tradable sectors
- Example: Peru gold boom
  - Newmont’s Yanacocha and American Barrick’s Pierina produced more than 80tons of gold during 2000. Pierina cash cost < US$ 60/ounce
Study: Large Mines and the Community (IDRC/WB)

- Bolivia
  - Puquio Norte
  - Inti Raymi

- Chile
  - La Escondida
  - Candelaria
  - Fachinal

- Peru
  - Yanacocha
  - Antamina
Local Level: Base Line

- Mines are usually located in isolated, remote areas with little or non existent State presence
- Severe infrastructure deficits (health, education, roads, etc)
- Local inhabitants are poor and the local resources can barely sustain them
- Different cultural patterns and values
Local Level: Traditional Perception

- The record of mining in LA is not very good. Mining is regarded as a heavily pollutant industry that operates as an enclave isolated from the local economy.
- Mining is a capital intensive activity that provides relatively little employment.
- Local costs (environmental, cultural, etc.) are higher than benefits. Company should compensate providing social services.
- Population unaware recent developments and its impacts (Leaching and SX-EW).
Local Level: Impacts (-)

- Competition for resources: land and water
  - Purchasing land
  - Resetlements
  - Quality and quantity of water
- Mismatch between Company needs and local capabilities: Influx Labor migrants (bars, prostitution, discos, etc.) and “out” goods
- Cultural clash between migrants and locals
- Pressure on local resources: housing, food, services. Price increases
Local Level: Impacts (+)

- Better infrastructure: roads, electric power, telecommunications
- Better communications (bus and airplane frequencies) and access to information
- Access to improved health/educational services
Macro/Local: Sharing Benefits

- Private/Public infrastructure development
- Direct Transfer of resources
  - Example: Peruvian law splits total taxes between central and local governments: “canon minero”. In practice Central Government delays transfers to local governments when there are fiscal problems.
  - Risks of inadequate use of resources by locals: corruption or non sustainable investments
Corporate Responses

- Charities
  - Yanacocha’s ADAMINYA

- Passive responses and Paternalism

- Alliance NGOs/The Foundation Model
  - Bolivia: Inti Raimy (Kori Kollo) foundation to promote the social and economic development of local communities within its area of influence

- Partnership Local Development
  - Productive Development Corporation Antofagasta
Challenges

- Communication and information (NGOs)
- Clear split of responsibilities: Involve the central government at the local level
- Generate Local development strategy and define the role of the Mine within it
- Building local sustainable capacities: (NGOs)
  - Employment
  - Suppliers
- Local Sustainable investment of mineral wealth: from gold to forests? (NGOs/Univ)