

*NATURAL RESOURCES AND SUSTAINABLE DEVELOPMENT:  
LESSONS FOR THE TRANSFORMATION OF HIGH MIDDLE  
INCOME COUNTRIES*

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**MANUEL GLAVE**

**Grupo de Análisis para el Desarrollo (GRADE)**

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# Outline

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- Long Term transformation of the Peruvian Economy: role of the extractive industries in an incomplete capitalist transition
- New boom of extractive industries: 1990 – 2015 ...?
- Key Policy Issues for sustained economic growth



## Outline II

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- The new boom and the emergence of social and environmental conflicts: the role of the Omdusman and the '*Ley de Consulta Previa*' (Prior Consultation Act)
- Key Policy Issues for local economic development
- Learning to manage social and environmental conflicts and lead the transition



# Peru: long term economic growth

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- Peru as a ‘Small Open Economy’ with a ‘Colonial Inheritance’ (the ethnic problem) + Resource Richness
- The ‘pendulum’: cycles of economic growth followed by collapse and recession. Liberalism and Protectionism. Role of the primary sector (Silver, Guano, Fisheries, Copper, Hydrocarbon, Coca(ine)?)
- Macroeconomic volatility as a long term pattern of the ‘resource curse’ dilemma.

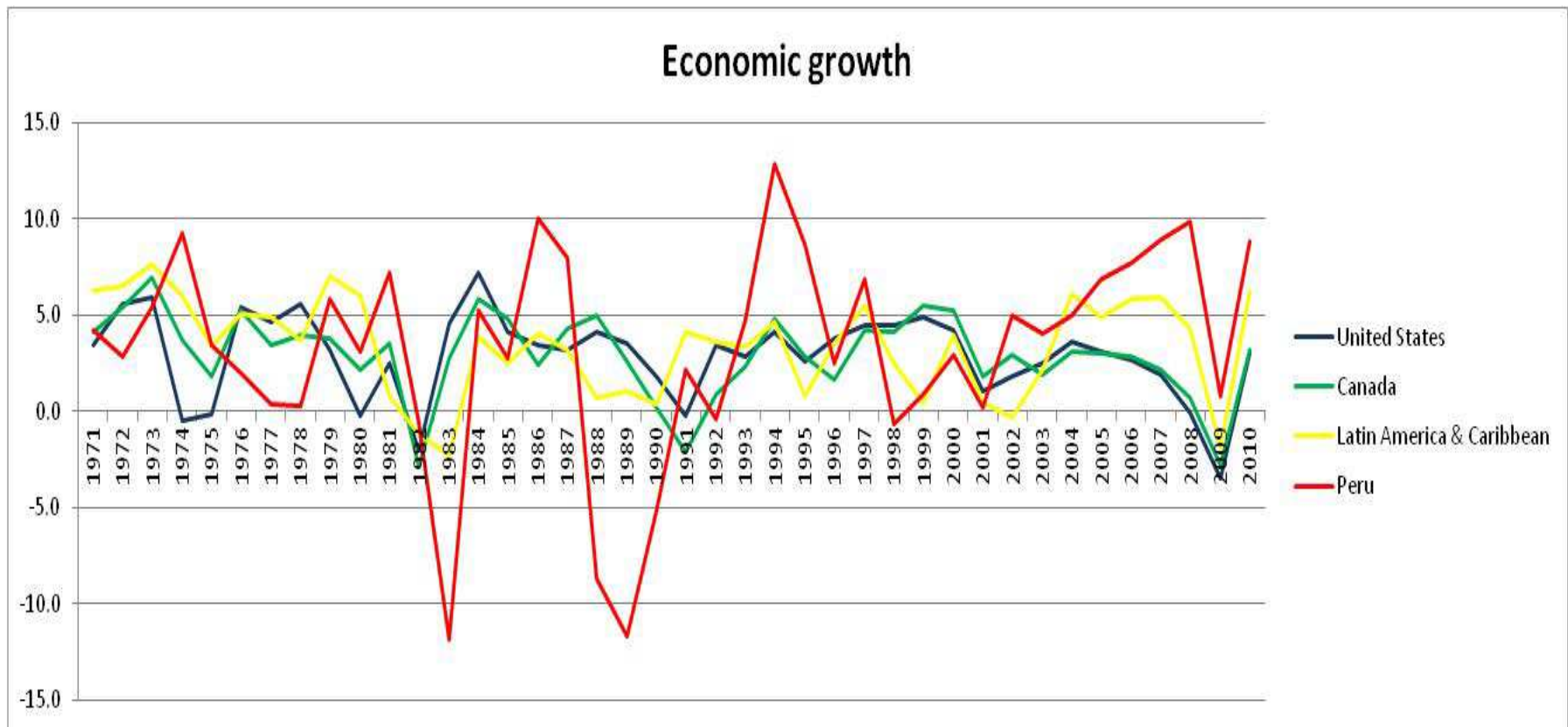


# New 'boom': 1990 – 2015 - ... ?

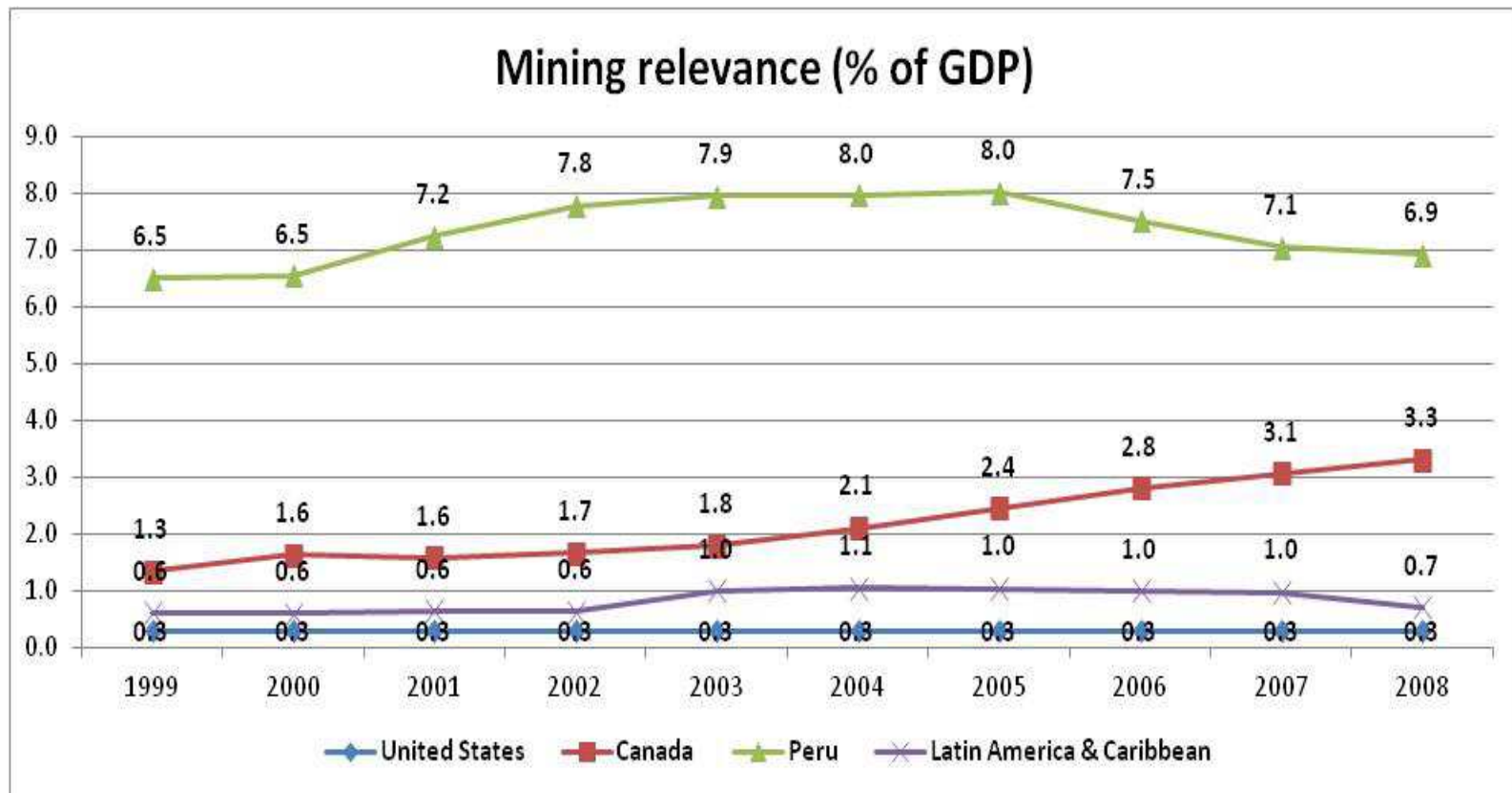
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- Structural Reforms and Foreign Direct Investment (After 'the lost decade')
- The Political Economy behind:  
Liberalization and how to '**facilitate access**' to resources
- Once again: macroeconomic volatility  
(see graphs)

# Dynamics of Peru's rate of growth (1990 – 2010)



# Mining share in National GDP (1999-2008)





## New 'boom': 1990 – 2015 - ... ? II

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- The emergence of the 'new' (mining) extractive industry: from HSEC corporate policies to social license and participatory local development planning.
- Learning process? The lasting importance of the MMSD and EIR projects (*'Breaking New Ground'* (2002) and *'Striking a Better Balance'* (2004)) + Developing of new National Environmental Management System (EIAs System, EQSs + MAPs).





# New 'boom': 1990 – 2015 - ... ? III

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- Where are we in this 'learning curve'?
  - Public Sector
  - Private Sector
  - Civil Society



# Key policy issues for sustained economic growth

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- Maximize capture of extractive rents with incentive for responsible FDI
- Allocation of extractive rents: sectorial (R&D and education versus infrastructure and sectorial investments) and spatial-regional (national versus sub-national)
- Innovation towards a new industrialization model



## Social and Environmental Conflicts: The Ombudsman Reports and the new Act on Prior Informed Consent

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- 1996: Public Hearing to review an EIS of a Mobil Exploration in the Amazon: “*The document is public in the moment is approved*’ (plop!)
- Change of civil society participation rules / but lack of enforcement of the ILO Convention 169 (Tambogrande).



## Social and Environmental Conflicts: The Ombudsman Reports and the new Act on Prior Informed Consent II

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- The growing importance of the Ombudsman Reports on Social and Environmental Conflicts (2005-2011)
- From the stubborn rejection of the new Consultation Law to the dilemmas of the regulation of the recently approved Act (2011-2012)



# Key issues for local communities' development

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- Micro level: if not employment, then?
  - 'Ownership' of the decision making process (not the commercialization of the 'social license')
  - Social (trust) Funds (new 'good practice')
  - Human capital formation and ... indeed, local employment



# Key issues for local communities' development II

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- Meso level: governance and land use planning
  - Clear definition of roles of local and 'regional' governments
  - Extractive Rents: Transparency and Accountability
  - Territorial Development Approach: how to do it?
  - Capacity building (for both, environmental management and decentralization)



# Drivers of conflict

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- In the context of rapid expansion of the industry (geographic expansion) ---- then (See ELLA Guide):
  - Access rules to natural resource base
  - Lack (weak) institutional capacity (social capital) leads to perception of unfairness and collusion
  - End of the old ‘social deal’: company town landscape with long term social and environmental liabilities: new local employment dilemma.



# Underlying factors of conflict

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- Persistent extreme rural poverty and inequality
- Internal migration trends (*'open access'* regimes in relation to the natural resource base)
- Inability to tackle cultural diversity + state reforms attempts towards decentralization: institutional weaknesses





# Critical (repeated) issues

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- Resettlement dilemmas
- Water (hydrological) balance
- Rent distribution
  - Persistent extreme rural poverty and inequality
- Weak governance at the local (micro) level
- Inability to implement a decentralized Land Use Planning model and a transectorial Environmental Management system



## Conflict Transformation and the Learning Curve(s)

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- Conflict Transformation: window of opportunity for change (National System of Conflict Management – Monitoring?)
- Where are we in the Learning Curve?
  - Public Sector
  - Private Sector
  - Civil Society