TRANSPARENCY FOR IMPACT

LESSONS FROM IFC PROJECTS IN PERU'S NATURAL RESOURCES SECTOR

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Creating Markets, Creating Opportunities
WHAT CAN BE DONE TO ENSURE THAT MINING COMMUNITIES IN PERU BENEFIT FROM THE REVENUES MINING GENERATES?

Over the past decade, the natural resources sector, particularly mining, has been a significant contributor to Peru's economic growth. Still, communities located around mining operations have remained some of the poorest in the country as they have seen little benefits from this growth.

MANDATING THE SHARING OF REVENUES
To address this imbalance, in 2004 the Peruvian government enacted the Ley del Canon (the Mining Canon), to ensure that communities benefit from nearby mining activities. The law mandates that the national government transfer half of the income taxes paid by mining companies to regional and local governments. As a result of the law, between 2004 and 2018, more than $12 billion was transferred to 50 municipalities in key regions, according to Peru's Ministry of Finance.

This transfer of funds represents a significant opportunity to respond to the needs of local communities and lift them out of poverty. If well invested, these resources can vastly improve people's lives and help create a more stable operating environment for companies.

However, municipalities do not always translate these resources into projects that deliver tangible benefits to local people—and they rarely inform the public about how these resources are spent. Civil society has limited capacity to make its voice heard or hold municipal officials to account, leading to weak governance. As a result, the potential benefits that could accrue to communities from mining activities are often not fully realized. Where people feel excluded and do not see the full benefit of resources, lack of adequate information, transparency, and accountability can generate mistrust and fuel social conflict.
ENSURING THAT REVENUES BENEFIT COMMUNITIES

To ensure that communities benefit from resource extraction in their localities, IFC implemented five projects between 2005 and 2017 in 40 municipalities in 11 regions of Peru. It developed a “push and pull” approach by providing technical assistance intended to achieve more efficient, transparent, and better-targeted local investment (the push mechanism) while working with local leaders and communities to increase participation and dialogue around municipal investment decision making and demand transparency and accountability of public authorities and officials on the use of public resources (the pull mechanism).

Because local leaders, civil society organizations, and local media are best placed to engage local authorities and demand good governance, IFC’s projects focused on helping them organize and become better informed. Explicit efforts were made to identify and work with vulnerable groups, in order to give them voice.

The projects were based on the premise that the population needs to be provided not only with access to information but also with the tools and knowledge needed to understand the nature of the Mining Canon and municipal investment as well as the context in which decisions are made. Toward that end, IFC designed and implemented various communication and training materials and activities.

This approach increased alignment between the population’s needs and priorities and local government investment plans; it also helped streamline budget and investment processes to benefit the population. IFC’s actions resulted in tangible impacts, such as better allocation of investments and increased monitoring from the population, which ultimately improved governance. In the Apurimac project, for example, 46 investment projects (worth $43.8 million) in water and sanitation, education, and road infrastructure that were prioritized and closely monitored were expected to benefit some 46,000 people. One year after IFC completed providing advisory services, 32 projects had started implementation, and 19 projects (worth $21.3 million) had been completed, benefiting 19,845 people.

RESULTS AND LESSONS LEARNED

The projects achieved important results:

- The authorities shared information on municipal investment with local leaders and the general population.
- Local leaders took on more active roles in monitoring the use of municipal investments.
- Surveillance committee members acquired the knowledge and skills to monitor projects and learned how to access project information on government websites.
- Journalists reported on the Mining Canon, municipal investment, and service provision, putting the topics on the public agenda.
- The general population showed greater interest in learning about and searching for information related to the Mining Canon and municipal investment

Implementation generated a wealth of information, experience, recommendations, and lessons that will be useful when designing and implementing future interventions.

Please refer to the figure on the next page for a compilation of lessons and recommendations based on IFC’s transparency and accountability projects in Peru.
## PROMOTING TRANSPARENCY AND ACCOUNTABILITY

### GENERAL DESIGN

- A “push and pull” approach increases accountability
- Local leaders are best able to lead change
- Collecting baseline information from a mix of sources enriches the design of the intervention strategy
- Designing activities in building blocks allows for flexibility
- Periodic monitoring improves the capture of results
- Healthy competition among local governments can help drive improvements
- Having women present during a meeting is not the same as having women participating in a meeting
- The sooner partners are engaged in a project the better

### COMMUNICATION PROCESSES

- Changing stakeholders’ behaviors should be at the core of a communications strategy
- Less may be more: the right level (and amount) of information should be provided to respond to stakeholders’ needs
- Multiple channels should be used to reach stakeholders
- Committed young volunteers are excellent partners when working with communities
- Creating a brand that reflects the attributes a project seeks to convey is key
- All projects need a plan for mitigating potential communication risks and crises

### CAPACITY BUILDING

- Workshops and materials need to be tailored to respond to stakeholders’ capacity-building needs
- Training methodologies must be culturally adapted
- Stakeholder fatigue needs to be avoided
- Knowledge, not just information, empowers local leaders and the media to become agents of change

### STAKEHOLDER ENGAGEMENT

- Authorities
  - Coordinating the start of a project with the election cycle is desirable
  - Providing regular feedback to authorities about their performance makes a difference
  - Providing authorities with guidance and tools helps them adopt good practices
- Local Leaders
  - Mapping local leaders is vital to understanding their mandates, challenges, and perceptions
  - Awareness building alone is not enough
  - The capabilities of monitoring bodies mandated by law need to be identified and strengthened
- Media
  - Editors and media owners need to be included in awareness-raising activities
  - Providing frequent, timely, and neutral information is the best way to build trust
  - Workshop topics need to be aligned to journalists’ areas of interest to increase participation
  - Understanding complex technical topics such as the mining canon and municipal investment requires simplification
  - Contests help motivate behavioral changes
- Editors and media owners need to be included in awareness-raising activities

### DIALOGUE, PARTICIPATION AND FEEDBACK

- Only empowered leaders can engage in dialogue with the authorities
- Dialogue spaces need to be created or enhanced
- Women need tailored activities to engage in active participation
- Showing people how participation can improve their daily lives is critical to motivating them to get involved

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Read the full publication [here](#).

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