



TRANSPARENCY FOR IMPACT

LESSONS FROM IFC PROJECTS IN PERU'S
NATURAL RESOURCES SECTOR

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IN PARTNERSHIP WITH:

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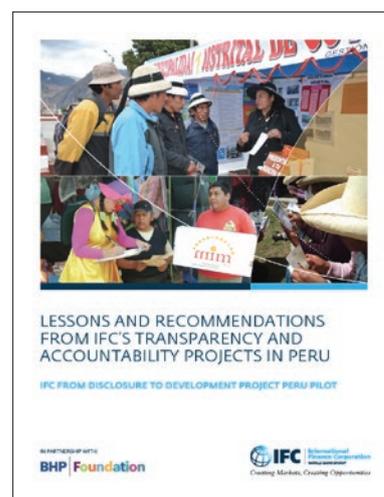
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TRANSPARENCY FOR IMPACT

Lessons from IFC Projects in Peru's Natural Resources Sector January 2020

These are key highlights from the publication "[Transparency for Impact](#)" which intends to help natural resources companies, government agencies, and development practitioners, design and implement transparency-related interventions. It captures the lessons from five projects implemented by IFC between 2005 and 2017 in 40 municipalities in 11 regions of Peru, which aimed to promote transparency, accountability, and good municipal governance in order to help ensure that communities benefit from resource extraction in their localities.

The publication is part of a series of knowledge products by IFC's From Disclosure to Development (D2D) program. Two other publications in the series are [Unlocking Data Innovation for Social License in Natural Resources](#) and [Data in Action: Natural Resource Data: Challenges and 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:

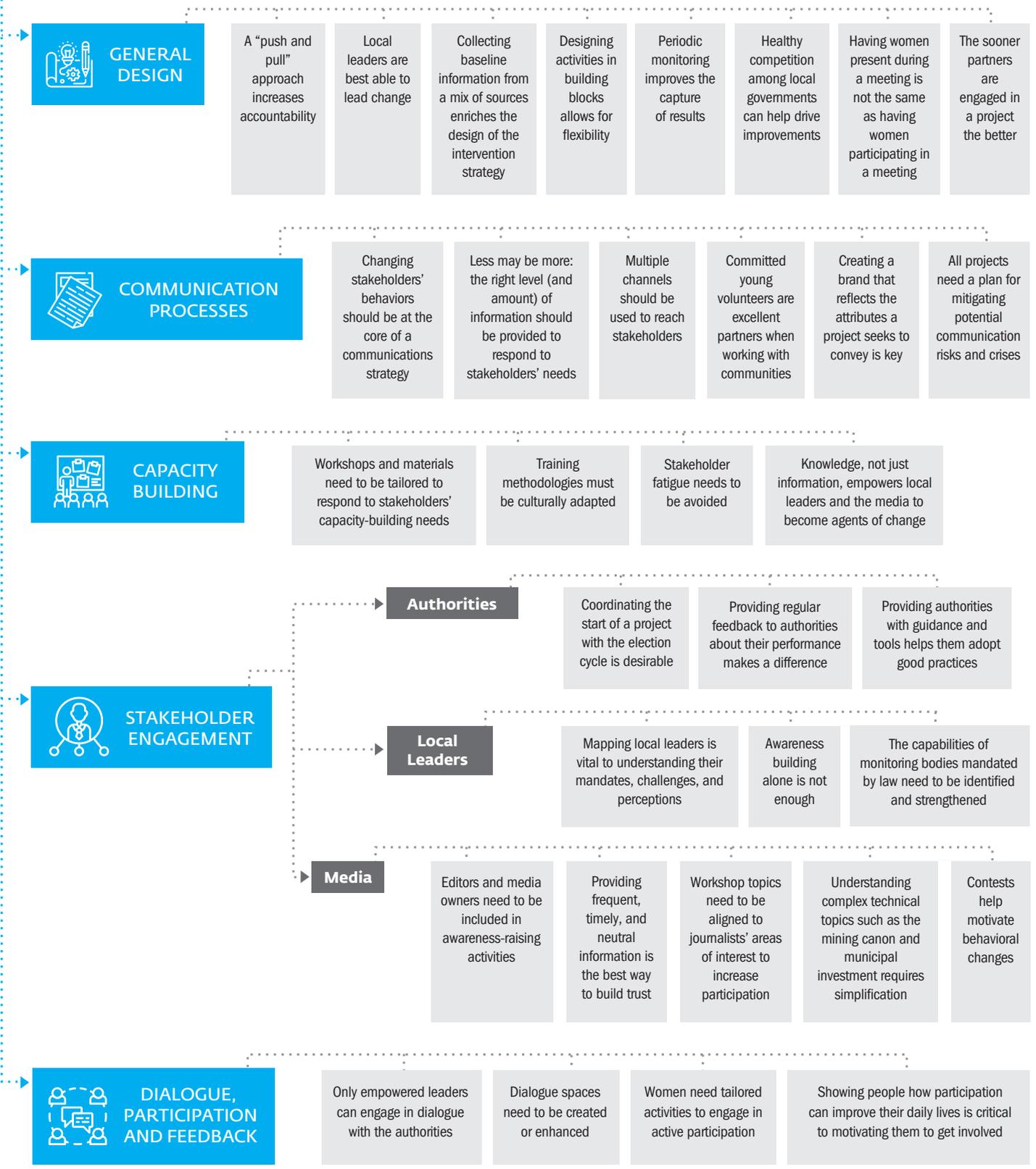
- The authorities shared information on municipal investment with local leaders and the general population.
- Local leaders took on more active roles in monitoring the use of municipal investments.
- Surveillance committee members acquired the knowledge and skills to monitor projects and learned how 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



Read the full publication [here](#).

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Contact: Fernando Ruiz-Mier, Senior Operations Officer, fruizmier@ifc.org

Karla Diaz Clarke, Operations Officer, kdiaz@ifc.org