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# Subnational governance strategies at the extractive frontier: collaboration and conflict in Peru

Maria-Therese Gustafsson<sup>a</sup> and Martin Scurrah<sup>b</sup>

## ABSTRACT

The past decade has witnessed profound transformations in subnational territories engendered by a dramatic increase in natural resource extraction. Research to date has concentrated largely on why the transfer of extractive revenues often reinforces a 'local resource curse'; however, little work has been done on subnational governments' attempts to maximize the benefits and minimize the costs of mining expansion. Drawing on the literature on subnational governance in the context of resource extraction and neoliberal reforms, this study analyses the strategies – confrontational or collaborative – subnational political leaders pursue and the reasons why they pursue them. The findings are based on in-depth field research in two Peruvian subnational regions that are highly dependent on mineral extraction. More specifically, we examine the collaborative strategy pursued in one region and compare it with a confrontational strategy in another. Our analysis indicates that an interplay between institutional capacity and supporting coalitions affects whether subnational leaders undertake a collaborative or a confrontational approach. Based on our findings, we consider the likely effects of these strategies for regional development. By shifting the focus to the agency of subnational leaders, we make an essential contribution to debates about subnational governance in the realm of resource extraction.

## KEYWORDS


local resource curse; subnational governance; extractive industries; regional development; Peru; mining; decentralization


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## INTRODUCTION

In recent decades, the rapid expansion of large-scale resource extraction in the Global South has helped reduce poverty in some countries and, at the same time, has placed immense pressure on water supplies and livelihood assets, incited social conflict, and contaminated the environment in the affected areas (e.g., Bebbington & Bury, 2009). To mitigate adverse impacts, scholars generally emphasize the importance of strengthening institutions<sup>1</sup> that contribute to inclusive and sustainable development in subnational regions where mining plays an important role (Bebbington et al., 2018; Orihuela, 2018). Yet, debates about extractive governance have, until recently, focused almost exclusively on national institutions and elites (for a similar argument see Lawer et al., 2017)

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and conflicts between local communities and companies (for an overview, see Conde & Le Billon, 2017). This is likely a reflection of the fact that the regulation of large-scale mining is the exclusive responsibility of the national government in the vast majority of countries. Yet, the social and environmental costs of resource extraction are mostly felt at the subnational level (e.g., Bury, 2005). Even though subnational governments have been partially empowered by decentralizing reforms, they face an extraordinary challenge in the governance of natural resource-extracting regions.

Research on the actions of subnational governments in resource extracting regions is relatively limited and has been mainly preoccupied with the conditions under which the transfer of extractive revenues has led to a 'local resource curse' (Arellano-Yanguas, 2011; Idemudia, 2012; Lawer et al., 2017; Ponce & McClintock, 2014; Sexton, 2019), a term that most often refers to the activation of rent-seeking behaviour that in turn redounds in inadequate public services and, not infrequently, social unrest (cf. Sexton, 2019). A few studies have looked at the use of policy tools by subnational governments in relation to their authority to contest mining expansion (e.g., Eaton, 2015; Gustafsson & Scurrah, 2019b; McNeish, 2017; Walter & Urkidi, 2017). However, very little work has been done on the factors that shape different subnational strategies for negotiating the impact of mining; how competing claims to natural resources are mediated; and what approaches are employed to encourage conflict resolution and promote sustainable development where mining is being undertaken. This article aims to reduce this critical gap in the literature.

Our research makes a vital contribution to scholarship in the field by examining the strategies – confrontational or collaborative – subnational regions adopt when negotiating with mining companies, and the reasons why they do so. A 'confrontational strategy' is understood as one that renders competing interests and ideological conflicts more visible and seeks to resolve them through political contestation rather than negotiation. By contrast, a 'collaborative strategy' is one in which subnational political leaders seek to enhance the coordination of efforts aimed at resolving 'technical problems'. The former strategy may lead to conflict and eventually generate more radical outcomes, for example, the suspension of a mining project (e.g., Gustafsson, 2018). By contrast, the latter could encourage concessions on the part of the companies, but may also reinforce depoliticizing practices in which technical discourses and solutions ultimately reproduce hegemonic world views and power imbalances (cf. Murray Li, 2007). We argue that the development of these strategies is the product of institutional and political factors at the subnational level, and the independent and autonomous decisions of subnational political leaders.

This study examines these salient issues in relation to mining in Peru, where operations have expanded rapidly in recent decades, a period coinciding with liberal economic reforms, causing a proliferation of social protests where subnational political leaders have at times emerged as important actors (Bebbington et al., 2018, p. 12; Jaskoski, 2014). Peru is a unitary state with subnational governments at the district, provincial and regional levels. Historically, the Peruvian state has been highly centralized, but in the early 2000s several decentralizing measures were introduced. Most importantly, between 2002 and 2003, two laws – the Law of Decentralisation (Law No. 27,783) and the Organic Regional Government Law (Law No. 27,867) – were adopted and 25 subnational regions with elected presidents were created.<sup>2</sup> While the subnational regions were granted political autonomy, the central government maintained sovereign control over subsoil resources (Article 66, Constitution). Moreover, in a context of weak bureaucratic capacity, widespread clientelism and fragmented political coalitions (Arellano-Yanguas, 2018; Eaton, 2017), attempts to exert influence over extractive development presents manifold challenges.

Our analysis is based on two relatively unusual cases involving regional governors' attempts to assume leadership in order to maximize the benefits and minimize the environmental and social externalities of mining expansion. Both regions are endowed with important mineral deposits and have benefited greatly from mining revenues. More specifically, we are interested in

determining why the regional governor in Moquegua, located in the deserts of southern Peru, adopted a more collaborative strategy of negotiation to redress the unequal distribution of water. The regional government ultimately succeeded in reaching an agreement with the multinational Anglo American mining company that required comprehensive changes in the design of the large-scale Quellaveco copper project, anticipated to commence operations in 2022. The regional governor in Cajamarca, located in the country's northern copper belt, chose a very different path, pursuing a more confrontational strategy that led to open conflict with both the Yanacocha company<sup>3</sup> and the national government regarding the Conga mining project. That conflict ultimately resulted in the indefinite postponement of the large-scale copper and gold project. Within-case analysis of these two contrasting cases will help to elucidate the processes underlying these divergent strategies. Although there are important characteristics associated with these particular cases and the Peruvian mining industry as a whole, they nevertheless illustrate the wide range of political dynamics and governance challenges that prevail in subnational regions – that are dependent on mining – around the world. By scrutinizing and situating the strategies in their historical and political contexts, we seek to advance ongoing policy and theoretical debates about subnational governance in the domain of resource extraction.

The article is based on empirical sources collected during extensive field research in the two regions identified as well as in the Peruvian capital over five months during multiple research trips undertaken between 2012 and 2018. We conducted a total of 113 semi-structured interviews: 39 with national authorities; 15 with regional authorities; 40 with civil society representatives and leaders of social organizations; and 19 with representatives of the private sector, notably mining companies. We collected primary documents (protocols, regulations, ordinances, official letters and public statements) related to the two regions and acted as observers in national and regional workshops and in meetings pertaining to the two cases under consideration. Relying on first-hand information from key actors has enabled us to reconstruct how relatively complex political processes have unfolded over time. We have carefully selected informants whose knowledge and interests regarding these processes diverge and compared their responses and supplemented this material with written sources whenever they were available.

The remainder of the paper is structured as follows. In the next section we briefly review the existing literature and develop our theoretical arguments. We then provide essential background information on mining in Peru. In the sections that follow we offer a close analysis of the two cases we have selected. The final section summarizes our findings and identifies their broader implications for debates on subnational governance in the realm of resource extraction.

## THE SUBNATIONAL GOVERNANCE GAP IN THE LITERATURE ON EXTRACTIVE GOVERNANCE

Resource extraction can constitute an important vehicle for generating resources for development, but may also have devastating effects on socioeconomic development. A sizeable body of research has centred on the links between resource wealth and sustainable development. The scholarship on the so-called 'resource curse' has typically focused on the adverse effects of natural resources on a country's economic, social and political development (Ross, 2015). A diverse set of governance issues, including economic growth, sustainability, democracy, peace, environmental justice and community inclusion, are associated with the curse (Orihuela, 2018). There is, however, increasing recognition among specialists in the field that resource abundance can be either a blessing or a curse (e.g., Brooks & Kurtz, 2016; Jones Luong, 2015) – its impact being dependent on a complex interplay between several institutional and political factors (Bebbington et al., 2018; Humphreys et al., 2007; Sexton, 2019) that are highly context dependent (Orihuela, 2018).

The literature on extractive governance is characterized by a strong bias towards national elites and institutions controlled by the national government and local conflicts between local communities and companies. Subnational governments and institutions were, until recently, neglected in these debates (Lawer et al., 2017). This is hardly surprising given that high-value, non-renewable resources, such as minerals, almost always remain under tight centralized authority. However, some recent studies from Latin America and Asia have shown that subnational governments have increasingly become involved in the contestation of mining (e.g., Gustafsson, 2017; Jaskoski, 2014; McNeish, 2017; Verbrugge, 2015; Walter & Urkidi, 2017). Moreover, fiscal decentralization of mining revenues has given rise to a burgeoning literature on the supposed ‘local resource curse’. Scholars have shown that the transfer of mining revenues has spurred corruption (Brollo et al., 2013; Idemudia, 2012; Lawer et al., 2017), fomented conflicts (Arellano-Yanguas, 2011; Ponce & McClintock, 2014; Verbrugge, 2015), and only rarely been translated into sustainable regional development (Arellano-Yanguas, 2018).

Some scholars have explored what factors might help to reduce the negative effects of the local resource curse and emphasized the importance of both institutional and political factors. Ponce and McClintock (2014), for instance, have shown that inefficient local bureaucracies have contributed to the proliferation of social protests in Peruvian natural resource-extracting regions (see also Sexton, 2019). In order to overcome the curse, they maintain that bureaucratic capacity must be strengthened. Arellano-Yanguas (2018), by contrast, shows that local politics play a major role in determining whether revenues contribute to sustainable regional development. Most significantly, local authorities often have strong incentives to use revenues to develop a patronage network. Idemudia (2012) similarly found that the inability to modify the opportunities and incentives for rent-seekers has contributed to the reproduction of the local resource curse in Nigerian oil regions. Thus, since previous research has been preoccupied with the local resource curse in relation to both institutional and political factors, we know much less about how subnational governments seek to influence mining expansion. In the ensuing section, we combine insights from the literature on extractive governance with scholarship on subnational governance in the context of neoliberal reforms (particularly Eaton, 2015; 2017; see also Geddes & Sullivan, 2011), proceeding to identify key explanatory factors and develop potent theoretical arguments about their likely impact on the strategies pursued by subnational governments.

### Analysing subnational strategies

Decentralizing reforms have to some extent empowered subnational governments and created new opportunities to influence policy areas – such as mining expansion – over which they lack formal authority. Eaton (2017) argues that there are at least two important reasons for this. First, he contends that, in contexts of weak central states, the importance of formal decentralization within particular policy areas should not be overstated. Even in the absence of high levels of *de jure* policy decentralization, subnational authorities often enjoy significant *de facto* autonomy. Second, in many countries these reforms have created ambiguous and overlapping responsibilities between different governmental levels. Such ambiguities create room for stakeholders to manoeuvre in promoting alternative policy agendas that may deviate from the national government’s interests (Eaton, 2017; see also Verbrugge, 2015, p. 451) and which may allow regional governments to seek to influence mining expansion. However, as Geddes and Sullivan (2011) show in their study on ‘local political leadership’, in the context of neoliberal reforms, subnational leaders use such room for manoeuvre very differently and can adopt, consolidate, adapt, resist or contest neoliberalism. What are the central factors affecting the strategies subnational governments adopt to influence mining expansion? In the rest of this section we elaborate on two structural variables – ‘institutional capacity’ and ‘supporting coalitions’ – that are likely to shape strategies.

*Institutional capacity* broadly refers to the ability of state agencies to implement their policies and is typically measured in terms of resources and the quality of bureaucratic skills (cf. Centeno

et al., 2017, p. 10). As mentioned above, subnational capacity has been identified as critical for mitigating the various governance challenges associated with the resource curse (Ponce & McClintock, 2014; Sexton, 2019). Extractive governance is a highly complex undertaking and subnational governments are likely to lack crucial information about the potential effects of alternative proposals. Scholars of extractive governance have shown that the capacity to effectively deploy scientific knowledge to assess the cumulative impacts of different projects and economic activities; to plan and propose development options; and to technically sustain these proposals in their negotiations with mining companies and state agencies are essential elements of any strategy to influence mining expansion (e.g., Atlin & Gibson, 2017; Lawrence & Larsen, 2017; Leifsen et al., 2017). Institutional capacity usually requires a period of time to develop and in the context of a rapid mining expansion it could be a serious constraint for subnational governments (cf. Eaton, 2017). International aid agencies, national non-governmental organizations (NGOs) and local economic elites could, therefore, play an important role in expanding institutional capacity at the subnational level (Eaton, 2017; Grindle, 2011). Institutional capacity can be expected to enable technically oriented collaborative strategies in cases where subnational policy preferences do not threaten the interests of corporate actors and political elites. Conversely, in cases where such actors are resistant, subnational governments can be expected to use their technical expertise as part of a confrontational strategy or, alternatively, to bide their time and build capacity and coalitions for future confrontations.

The lack of data makes it difficult to measure subnational capacity. As Arellano-Yanguas (2018) points out, researchers often rely on imprecise proxies for institutional capacity, such as spending capacity, instead. In our analysis, we use qualitative data to examine regional governments' ability to mobilize and employ scientific information in negotiations with mining companies and national government agencies, thereby providing for a fine-grained analysis of how institutional capacity may induce certain strategic approaches.

*Supporting coalitions* refer to subnational political leaders' support within a given regional society and rest upon a commonly held assumption that the long-term viability of any governance project is dependent upon supporting coalitions 'to sustain it and to defend it from opponents' (Eaton, 2017, p. 45). Social movements have had a significant influence on mining expansion in Latin America (e.g., Bebbington et al., 2008). As Geddes and Sullivan (2011) argue, subnational leadership practices are often the result of pressure applied by powerful social movements. Consequently, the type and amplitude of a coalition is most likely to be crucial. For instance, supporting coalitions may comprise a combination of local elites, business groups, labour unions or rural associations (cf. Eaton, 2017). As studies of conflicts within the industry have shown, the ideological orientations and interests associated with mining expansion differ widely (Bebbington et al., 2008; Gustafsson, 2018) and are likely to strongly shape strategic preferences. Moreover, the relative strength and unity of supporting coalitions must be assessed in light of those of their competitors. If subnational politicians are pressured by different coalitions with competing interests, we can expect that their ability to develop a coherent strategy is likely to be undermined. At the same time, subnational political leaders could play an important role in building and sustaining broad-based coalitions. As Eaton (2017) argues, discourses focused on territorially based prerogatives and identities are likely to be more efficient than ideological ones, which can readily exacerbate existing political divisions. In the analysis that follows we consider how different types of supporting coalitions shape the strategies adopted by subnational governments and how subnational governments respond to pressure by politicizing or bridging divisions and by seeking to involve or isolate their opponents.

After providing some background information on the Peruvian case, in the following sections we will analyse how these two factors shaped the strategies adopted by regional governors in our two cases.



## MINERAL GOVERNANCE AND DECENTRALIZATION IN PERU

### Mining expansion and state reforms

Peru has been described as an emblematic case of the resource curse (Dargent et al., 2017, p. 2). In the last three decades, its mining sector has undergone major transformations, including neo-liberal restructuring and rapid expansion, the combination of which has provoked numerous social conflicts (Gustafsson, 2018). In the early 1990s, the authoritarian populist government of Alberto Fujimori introduced reforms that drastically diminished the importance of state regulation and planning and debilitated both political parties and civil society organizations (Wise, 2003). The state assumed the role of promoter of private investment, in particular in the mining sector, by offering attractive tax incentives and simplifying concession procedures (Bebbington et al., 2018, p. 45) as well as establishing a legal framework for environmental protection. As a result, foreign mining investments increased rapidly, making Peru the world's third largest producer of silver, copper and zinc, the fourth largest producer of lead, and the fifth largest producer of gold (Osinerghin, 2018). Mining has helped to reduce overall poverty and sustain economic growth (which has averaged 6.5% between 2002 and 2012), and placed Peru in the group of upper middle-income countries (Andina, 2017).

However, rapid mining expansion has ushered in profound territorial transformations that have created overlaps with other forms of land use, in particular those of peasant communities (Cuba et al., 2014). In a context of weak democratic planning institutions, and a heavily sectorialized, technocratic and centralized territorial governance, social conflicts have proliferated in natural-resource extracting regions (Gustafsson & Scurrah, 2019a). In January 2019, the Ombudsman (2019) reported 115 socioenvironmental conflicts.<sup>4</sup>

In the face of strong societal pressure, the national government has in recent years introduced several important reforms, such as prior consultation, participation in environmental impact assessments (EIAs) and the transference of mining revenues to subnational governments, and also created several new environmental agencies within the state (Arellano-Yanguas, 2011; Merino, 2018). The actual effects of such reforms have, however, often been disappointing. For instance, participatory instruments have often been used to delegitimize opponents and enable the expansion of extractive frontiers (Merino, 2018; Schilling-Vacaflor et al., 2018). Moreover, despite recommendations that regional governments be involved in conflict resolution and EIAs (Huamani-Ober et al., 2012), they continue to play a marginal role in these processes. Hence, in a context where the Peruvian state systematically undermines any reform or actor that may restrict the extension of the extractive frontier, subnational regions that are dependent on mining are likely to continue to be plagued by social conflicts, environmental degradation and underdevelopment.

### A legacy of incomplete decentralization in Peru

In Peru, the political system and state structures historically have been highly centralized and coastally oriented, while the state has been unable to impose its will in large parts of the highlands and the Amazon. Eaton (2015, p. 130) suggests that one of the defining features of the Peruvian state is the 'profound disconnect between national and subnational political spheres' that is largely explained by the decentralizing reform that contributed to the devolution of political power from the national to the regional level. The Peruvian regions were first created in 1989 (Law 24,650) under the presidency of Alan García, deactivated by the Fujimori government, and then recreated by the Toledo government in a strategic move to democratize the country while also undermining Fujimori's power bases. In the face of few regional elites and weak parties, the national political elites saw this transfer of power as an opportunity to expand their power bases around the country, rather than as a threat (McNulty, 2011, p. 58).

Importantly, the Law of Decentralisation (Law No. 27,783) and the Organic Regional Government Law (Law No. 27,867) not only reinstated the 25 subnational regions but also introduced direct elections for regional governors. The regions complemented the pre-existing government structures, consisting of 24 departments, 195 provinces and 1828 municipalities. Eaton (2015, p. 130) emphasizes the complications surrounding the Peruvian decentralization process and lagging fiscal decentralization, which together engendered regional dependence upon the national government. At the same time, he (p. 97) argues that the responsibilities of the regional governments remain unclear and overlap with those of other levels of government, creating opportunities for entrepreneurial subnational officials to employ their own interpretations of legislation and thereby seek to influence policy areas in which they lack formal authority.

In recent years, subnational governments faced with popular mobilization against extraction have figured prominently in attempts to control, block or support mining expansion. For instance, in 2002, the municipal government of Tambogrande in Piura organized a referendum about the proposed Tambogrande mine, which led to the suspension of the project; and in 2007, the municipality of San Pablo in Cajamarca mandated that an area be set aside for environmental protection to block the expansion of the Yanacocha mine (OM-No. 001-2007-MPSP). However, subnational governments have also sought to promote mining projects that could bring important revenues without necessarily being perceived as conflicting with other economic activities. These examples, all at the municipal level, suggest that subnational governments are involved in different ways and to different degrees in negotiating the terms of resource extraction with mining companies. However, less is known about how regional governments try to take leadership and enhance their capacity to pursue regional political agendas.

## THE TWO CASES

We have selected two cases that are especially striking in terms of regional governments' attempts to develop strategies to mediate conflicts and promote regional development where mining is being undertaken. In the case of Moquegua, the regional governor created a dialogue table, whereas the regional governor in Cajamarca used land-use zoning to negotiate with mining companies. There are important mineral deposits in both regions, with Moquegua forming part of the country's southern copper belt, and the northern copper belt being centred on Cajamarca. Mining concessions currently cover 53% of the territory of Moquegua, and 87% of its revenues originate from fiscal transfers related to mining. In Cajamarca, 25% of the territory has been granted in concessions and 37% of fiscal transfers originate from mining (Arellano-Yanguas, 2018, p. 5; Cooperación, 2016). Mining has had different effects on the developmental trajectories of both regions. Comparing development indicators of the two regions, Table 1 shows that Cajamarca scores significantly lower than Moquegua.

**Table 1.** Development indicators.

|   | Cajamarca       | Moquegua       |
|---|-----------------|----------------|
| Poverty rates, 2015   | 51%             | 8%             |
| Urban population, 2017  | 35%             | 80%            |
| Percentage of gross domestic product (GDP) generated by manufacturing                     | 1.6%            | 2.8%           |
| Density of the state  | 0.53 (20 of 24) | 0.70 (1 of 24) |
| Percentage of the population 17 years and older with a secondary education complete, 2016 | 35%             | 67%            |
| Estimated population, 2017  | 1,537,200       | 184,200        |

Sources: Campana (2017), CPI (2019), Molina-Martínez (2016), INEI (2019).



The remainder of the article examines the strategies adopted by each regional government to build capacity and supporting coalitions to influence mining expansion in these contexts. This analysis will help us to understand better why the regional governor of Moquegua adopted a collaborative strategy, whereas the regional governor in Cajamarca adopted a confrontation strategy.

### Moquegua: resolving the water problem through a collaborative strategy

During the first 25 years of its operations in Moquegua (1956–80), in the absence of a regional or elected municipal government, the Southern Copper company was the dominant political actor in the region, obtaining privileged access to natural resources, especially water, and ignoring the environmental impacts of its operations through negotiations with successive national governments (Balvín Díaz et al., 1995; Díaz Palacios, 1988). With the establishment of elected municipal governments in 1980, a long struggle, led by the Ilo municipal government and its allies in the national Congress, began to challenge Southern's political dominance, achieving key agreements in the mid-1990s. However, the path towards regional decentralization remained bumpy until the decentralization laws were passed in 2002 and 2003. Over a 20-year period, not only was progress made in mitigating the environmental impacts of mining but also local and regional organizations enhanced their knowledge of how mining operates, and in turn how its impacts can be reduced and its benefits increased. Contacts were developed with political actors in the central government and national Congress, alliances were formed, and a consensus built (Loayza-Caraga, 2003; Loveday-Laghi & Molina-Campodónico, 2006; Portocarrero & Portugal, 2011).

In December 2000, the EIA of the Anglo American mining company's Quellaveco copper mining project was approved by the Ministry of Energy and Mines (MINEM) (RD No. 266-2000-EM/DGAA), despite criticism from civil society representatives (Balvín Díaz & López, 2003). Two years later, the regional president commissioned an independent report by an international water specialist which showed that the project would produce a severe water shortage in the region, provoke conflicts and, perhaps most importantly, impede the capacity of the Pasto Grande irrigation project to enable the extension of the agricultural frontier (Moran, 2002). However, it was not until 2008 that Anglo American began work on a new project design that would rely on river water rather than ground water.<sup>5</sup> The revised project was approved by MINEM in 2010 (Jaskoski, 2014, p. 877).

In the same year, Martín Vizcarra, a civil engineer and local businessman who provided services to local mines, was elected regional governor. His campaign focused on the problems associated with the use of water proposed by the Quellaveco project. Regional authorities and local farmers generally perceived that the use of river, rather than ground, water would be a better solution in a region characterized by water scarcity and the need to extend its agricultural frontier.

In 2011, the newly elected governor established a dialogue table to identify mechanisms to ensure responsible water use, monitor the company's behaviour and identify projects to be funded as part of the company's social responsibility programme (Gobierno Regional Moquegua, n.d., p. 1).<sup>6</sup> Towards these ends, he invited representatives from a wide range of intraregional organizations to participate in a dialogue with representatives from the regional and local governments, the mining company, and the national government. Despite opposition to the proposed mine by farmers along the Asana River, in whose headwaters the mine was to be located, they attended most of the meetings and freely voiced their objections, which were respectfully heard.<sup>7</sup> The final agreements reflected a broad regional consensus.<sup>8</sup>

To assess technical proposals for sourcing and exploiting scarce water resources, the regional government created a technical water commission. The commission in turn proceeded to make recommendations that were debated and approved without substantial changes,<sup>9</sup> demonstrating the capacity of the regional government and the broader regional community both to propose, evaluate and discuss technical alternatives and to persuade the company to modify its original

proposal.<sup>10</sup> These events further revealed the company's willingness to be persuaded by evidence-based arguments.

The table was the first (and only) initiative created and directed by a regional government in which national government ministries were invited to participate as observers. In March 2012, advances in the negotiation process led by the regional governor persuaded the national government to accord the table official status (Ministerial Resolution No. 66-2012-PCM), thereby enabling it to make binding decisions and recommendations in the area of large-scale mining, constitutionally defined as a national government prerogative.

In the course of the negotiations, the company agreed to make significant concessions, accepting a detailed water-use plan and committing to significant investments in water infrastructure that would facilitate the commencement of the second phase of the Pasto Grande irrigation project, and through it the realization of a regional priority: the extension of the agricultural frontier. It further consented to make both traditional social responsibility investments and changes in engineering, the latter an area typically off limits in negotiations with mining companies. This is virtually the only example of a company in Peru conceding to a modification of the engineering design of a project in the course of negotiations with a regional government.

### Cajamarca: regional fragmentation producing a confrontational strategy

The latest mining boom in Cajamarca began in the early 1990s with the development of Yanacocha – the largest gold mine in Latin America and one of the largest foreign investments in Peru. The arrival of Yanacocha initiated a dramatic and enduring series of physical, social and economic transformations and generated environmental and social impacts that fomented conflict between the company and the largely rural population (Arce, 2014; Cabrera, 2017; Li, 2015). With water access being an acute problem in both rural and urban areas, the mine's deleterious impact on water quality and quantity was a central point of contention from the beginning. Concomitantly, the regional economy was becoming increasingly dependent upon the company. In 2004, these conditions sparked rural protests against Yanacocha's proposed expansion to the Mount Quilish area, where the aquifer supplying 70% of the water supply to the city of Cajamarca is located (Arce, 2014, p. 92). Consequently, the company was denied access to its mineral deposit.

Partly in response to the Quilish protest, the regional government in 2007 tried to intervene in conflicts by implementing a contested ecological and economic zoning (EEZ) process, a technical instrument used to determine the suitability of intraregional zones for economic activities, conservation or a combination of both.<sup>11</sup> This was the core element of a technical and participatory land-use planning system to be overseen by the Ministry of the Environment (MINAM), but implemented by each regional government (RM No. 026-2010-MINAM). The regional governor of Cajamarca tried to use the EEZ to generate technical evidence to support its position on the proposed use of water by the Conga mining project, whose EIA was approved by the national government in October 2010.<sup>12</sup> This new open-pit copper and gold mine was located in a watershed area and would involve the elimination of four lakes and their replacement by artificial reservoirs. The regional governor initially adopted a collaborative strategy and invited the mining companies in the region to participate in the process. However, after the Conga project was approved by the national government in July 2011, regional anti-mining activists used the information and recommendations set forth in the EEZ report to pressure the regional governor and bolster their position that the project be halted.

In 2010, during the final phase of the EEZ process, tensions between the regional government and the mining companies increased when the regional governor tried to use the technical information to develop recommendations for land use.<sup>13</sup> The companies formulated an internal plan of action to influence national politicians to intervene in their favour (Grupo de Norte,

2009).<sup>14</sup> This coincided with growing concerns within the regional society about the Conga project's EIA and the election in late 2010 of a leftist regional government led by Gregorio Santos who benefited from strong support in rural areas.

Santos was a rural schoolteacher and member of the Maoist Patria Roja party who emerged from the school of opposition politics. Despite his lack of government experience, both Santos and his party were keen to develop a successful record of effective regional governance. In Cajamarca, this meant coming to terms with the region's dominant economic actor: Yanacocha. Throughout most of his first year in office, Santos continued the EEZ process initiated by his predecessor as a strategy to develop a coalition to support the regional government's land-use proposals and keep his political rivals – who were committed to blocking any expansion of mining in the region – at bay (Cabrera, 2017).

With the election in mid-2011 of the left-wing Ollanta Humala as the country's president, Santos hoped to be able to gain the support he needed to govern effectively, while marginalizing his political opponents who were demanding that the Conga project be cancelled. Santos, however, was unable to obtain the backing he anticipated from Humala, who effectively undermined the negotiations led by his own prime minister (Cabrera, 2017, ch. 4, esp. pp. 162–163).

Without national government backing and in danger of losing popular support to his anti-mining opponents, Santos switched from a collaborative to a confrontational strategy, assuming leadership of marches and demonstrations against the national government and the Conga project. Conflict over the project continued from November 2011 until the end of 2013, manifest in protests and negotiations (Cabrera, 2017; Zavaleta, 2014, pp. 32–41).<sup>15</sup> On 29 November 2012, at the national government's request, Yanacocha announced the suspension of mine construction until it obtained the 'social licence' to continue operating.

Rather than achieving important modifications to the proposed Conga project and thereafter the ability to present its implementation as an example of his 'New Mining' policies, Humala was obliged to suspend the project indefinitely due to organized local opposition. The prime minister and the ministers responsible for mining and environmental issues resigned, together with most of Humala's left-wing collaborators, leaving him little choice but to govern largely in the interests of the private sector.<sup>16</sup> For its part, the company lost the opportunity to develop a large-scale mine at the tail end of the cycle of high mineral prices. In the end, Santos was arrested and subsequently convicted on charges of corruption and expelled from his party. He was nonetheless able to form a new party, under the auspices of which he won the 2014 regional elections and participated in the 2016 national presidential elections, campaigning from prison. The postponement of the Conga mining project satisfied those who were convinced that the mine posed a threat to water meant for agricultural purposes.

## FACTORS SHAPING SUBNATIONAL GOVERNANCE STRATEGIES

The above analysis suggests that the two strategies being considered emerged from the interplay of several discrete and overlapping institutional and political factors. Recognizing the inherent complexity of these circumstances, we argue that institutional capacity and supporting coalitions were critical in shaping and enabling these strategic approaches. We discuss each in turn.

### Influence of institutional capacity on strategy

In both the confrontational and collaborative strategies, the ability to develop and implement the means to influence decisions on mining expansion was highly dependent upon regional governments' institutional capacity. More specifically, regional governments needed to have at their disposal the functional capacity to generate and deploy scientific information in order to assess the environmental impacts of various economic activities and to plan and propose alternative approaches to development. As scholars have shown, subnational governments typically lack

crucial information about the likely effects of different proposals related to natural resource extraction (e.g., Atlin & Gibson, 2017; Leifsen et al., 2017), which undermines their ability to intervene effectively in mining expansion. However, the two regional governments made concerted and sustained efforts to overcome informational gaps and cultivate the technical expertise necessary to influence the nature and extent of mining expansion. In both cases, external actors, including members of the business sector, played an important role in building institutional capacity over a longer time period. In the case of Moquegua, capacity-building took place over the course of two decades, while in Cajamarca it occurred between 2007 and 2011. Moreover, both regional governments were able to generate relatively robust scientific reports by employing geographical information systems (GIS) and water analysis that allowed them to assess the impacts of mineral extraction. However, they differed significantly in the strategies they adopted in deploying this information in negotiations with the company and the national government.

Moquegua presents a case in which the prevailing political leadership could rely on considerable technical capacity for its decision-making processes. For 25 years, the NGO Labor, along with its allies in the Municipality of Ilo and the National Congress, had campaigned to push the Southern company to undertake technological changes to redress the environmental problems identified in the early 1960s. In the course of this protracted struggle, the relatively well-educated population involved had the opportunity to gain a general understanding of the thorny issues surrounding mining and the many risks it poses. Moreover, the regional governor skilfully deployed scientific knowledge and succeeded in framing highly political issues as technical problems. As Costanza (2016, p. 98) argues, it is easier for subnational leaders to find common ground with business interests if they present a more technical, ‘depoliticised vision of development’. Importantly, Vizcarra’s basic stance in the negotiations was that mining could, under appropriate conditions, contribute to the development of the region and generate funds to extend the agricultural frontier through the completion of the *Pasto Grande* project. His ability to provide technical substantiation for his proposals is an important factor in explaining the company’s eventual agreement to adapt the engineering design related to water use of the project.

Cajamarca, on the other hand, constitutes a case in which political leadership was unable to make effective use of the technical information developed by its specialists through the EEZ process. To facilitate the EEZ process, the regional government created an institutional structure – the *Comisión Técnica Regional* (Regional Technical Commission – CTR) – with representatives from the regional government, civil society and the private sector. With the support of bilateral aid agencies, national NGOs and mining companies, the regional government was able to draw upon the resources of a relatively sizeable and stable technical team.<sup>17</sup> In 2017, SERVIR – a state agency responsible for improving public administration – recognized the regional government with an award for excellence in public administrative practices and promotion of social inclusion as reflected in the work of the EEZ team (Gobierno Regional Cajamarca, 2017).

Still, the regional governor had a limited capacity to employ the high-quality technical information effectively in negotiations with the national government and mining company, both of which were more practiced in deploying technical arguments in analogous contexts.<sup>18</sup> The school of opposition politics in which Santos had been formed was better suited to the rough and tumble of negotiations imbued with ideological and political confrontation. After initially attempting to engage in a dialogue with the company about potential changes in project design, Santos ultimately opted for a more confrontational strategy. In 2011, Santos enacted an ordinance (No.036-2011-GR-CAJ-CR) declaring the planned *Conga* mine inviable in light of the anticipated detrimental impacts on water resources and the area’s vulnerable ecosystem. This strategic change was, however, also impelled by strong pressure from rival political forces.

Our analysis suggests that institutional capacity is critical for subnational leaders’ ability to develop strategies to meaningfully intervene in mining expansion. These findings are in line

with previous studies that have emphasized the salience of subnational capacity for contesting proposed mining expansion (Leifsen et al., 2017), promoting regional sustainability (Atlin & Gibson, 2017) and reducing related social conflicts (Ponce & McClintock, 2014; Sexton, 2019). However, these studies have overlooked the significance of subnational agency in building and effectively employing institutional capacity.

### Influence of supporting coalitions on strategy

As with institutional capacity, there is clear evidence that the strength and ideological orientation of supporting coalitions shaped subnational strategy in important ways. As Eaton (2017) maintains, the ability to build broad-based coalitions can significantly enhance the leverage subnational governments can bring to bear in advancing their aims. Here the two regional governments pursued sharply divergent paths.

In the case of Moquegua, a broad-based coalition had formed since the 1980s to mitigate the environmental impact of mining. This coalition, led by Ilo's municipal government, encompassed a wide range of actors, among them local elites, business interests, NGOs and rural organizations, and developed contacts with political representatives in the national government. Importantly, this coalition contributed to the development of a broad-based consensus that mining could, under appropriate conditions, contribute to regional development by generating resources that could be used to extend the agricultural frontier. The ideological orientation of the subnational coalition was thus supportive of the collaborative strategy adopted by the regional governor in the dialogue table. Doubtless maintaining unity throughout the dialogue table process was challenging,<sup>19</sup> but the regional governor managed to sustain it by structuring the table in a manner that was both transparent and inclusionary.<sup>20</sup> Moreover, by regularly referring to the cohesive regional interest in extending the agricultural frontier, he succeeded in marginalizing more radical actors and pressuring them to acquiesce to the regional consensus. This is in line with Eaton's (2017) argument about the importance of territorially based discourses for sustaining the unity of subnational coalitions.

By contrast, the regional governor in Cajamarca was unable to overcome the accumulated distrust among left-wing groups to forge a coalition with a common vision of the region's future and the place of mining therein. Rural organizations have historically exhibited a relatively strong mobilization capacity in Cajamarca, but this was absent on the issue of mining expansion, which engendered increasing fragmentation (Arce, 2014; De Echave & Diez, 2013). The ability of the regional governor to maintain a coherent strategy in his negotiations with both the mining company and the national government was severely compromised by the intense political polarization and suspicion evidenced between and among the relevant political actors. With rival political forces exerting substantial pressure on the regional governor and, in the face of the success of more radical left-wing groups in preventing an agreement, in the end it was expedient for Santos to shift from a collaborative to a confrontational strategy. However, his deployment of ideological discourse and pursuit of a strategy akin to a zero-sum game also played an important role in exacerbating existing political divisions (cf. Eaton, 2017).

Our analysis of these two cases shows that the existence of broad-based supporting coalitions and the ability of subnational leaders to maintain unity are crucial factors in advancing a strategy aimed at influencing mining expansion. Taken together, it further illustrates the influence of both institutional and political factors in shaping the strategies undertaken. The principal alternatives considered here are summarized in Table 2.

Just as these factors were critical determinants of the strategies undertaken, the strategies in turn influenced the reactions of the national government and the companies. As conditions evolved, the decision of the Moquegua regional governor to pursue a collaborative strategy redounded in the support of the national government and the company, whereas the Cajamarca regional governor's decision to adopt a confrontational strategy prompted their opposition. This



**Table 2.** Comparison of the two key factors in the two regions.

|                        | Cajamarca   | Moquegua  |
|------------------------|---|---|
| Supporting coalitions  | Fragmented  | Broad-based and united                                |
| Institutional capacity | Capacity to generate but not deploy technical information | Capacity to generate and deploy technical information |
| Outcomes               | Confrontational strategy                                  | Collaborative strategy                                |

juxtaposition underscores the importance of taking into account how these actors respond to subnational strategies as well as how these responses proceed to influence the outcomes of subnational governance strategies.

## CONCLUSIONS

Mining expansion is associated not only with economic opportunities for the affected region but also with challenges to local sustainability, social unrest and economic uncertainties. For subnational political leaders – empowered to a limited extent by decentralizing reforms, but lacking formal authority over large-scale resource extraction – promoting a regional development agenda in the face of proposed mining expansion presents myriad difficulties. Governments and mining companies have substantial incentives to prevent subnational actors from influencing projects that are perceived as favouring strategic economic interests. Our analysis of two relatively unusual and contrasting cases in which regional governments have enhanced their capacity to influence mining expansion highlights the structural constraints, divergent interests and pronounced power asymmetries that shape, and often undermine, initiatives of this kind. The processes at work in these two cases afford valuable insights to inform ongoing debates about subnational governance in the domain of resource extraction.

First, whereas scholarship to date has focused primarily on areas in which subnational governments enjoy formal authority, namely with respect to the fiscal decentralization of extractive revenues (e.g., Arellano-Yanguas, 2011; Idemudia, 2012; Lawer et al., 2017), it must expand its purview and devote greater attention to areas of extractive governance where subnational governments lack formal authority. Negotiations concerning new mining projects not infrequently mark ‘critical junctures’ where future conflicts are shaped according to a path-dependent logic (Jaskoski, 2014). Our cases show that subnational governments are actively involved in developing institutional capacity and nurturing political coalitions in the early phases of such projects, which is likely to significantly affect their ability to use extractive revenues to promote long-term development once a project becomes operational.

The second key insight concerns debates about the various institutional and political factors that shape subnational governance in the resource extraction context. More specifically, a dominant ‘institutions matter’ argument has prevailed in the resource curse literature (cf. Arellano-Yanguas, 2018; Bebbington et al., 2018; Orihuela, 2018), and many studies, more quantitatively oriented, have stressed the importance of institutional capacity (e.g., Ponce & McClintock, 2014; Sexton, 2019). Recent debates in particular have emphasized the significance of political factors (Arellano-Yanguas, 2018; see also Bebbington et al., 2018). This study adds to these debates by a nuanced analysis of the complex interplay between institutional and political factors. In this manner, our work has produced a deeper understanding of the conditions in which subnational governments are likely to overcome rent-seeking behaviour and promote long-term development. More specifically, we found that regional governments must have the capacity to draw upon



significant institutional capacity and to create broad-based supporting coalitions. Of particular importance was their ability to generate and employ highly complex technical data in negotiations. That capacity was, however, undermined when the support of broad-based coalitions was lacking. That said, the outcome of any subnational strategy is ultimately dependent on the support of the national government and companies.

The third insight to be drawn from this analysis pertains to debates about whether close, problem-oriented negotiations with companies alone can yield positive outcomes, or whether social mobilization or conflict is necessary to bring about comprehensive change (e.g., Amengual, 2018; Bebbington, 2010; Bebbington et al., 2008). Our work makes a vital contribution to this debate by extending its focus beyond negotiations between local communities and mining companies (for an exception see Costanza, 2016) to incorporate interactions with subnational governments and mining companies. We found that the development of a collaborative strategy depended heavily upon pre-existing institutional capacity and broad-based supporting coalitions. Overall, our analysis suggests that engaging in close negotiations with mining companies as a means to achieve development is a risky and complex approach. The outcome of such a strategy ultimately rests on the achievement of enduring good will of the company and the central government. In regions where such conditions do not exist, regional governments are unlikely to be able to create and maintain the conditions necessary to achieve their goals. In those circumstances, close interactions between companies and subnational governments are likely to lead to cooptation and elite capture of subnational institutions or, as in the case of Cajamarca, confrontation that results in damaging effects for regional institutions and subsequent development. Thus, while a collaborative strategy led to constructive outcomes in the two cases examined here, confrontational strategies are more likely to enable subnational governments to achieve their goals where other conditions prevail. Our work underscores the need for further research on the outcomes of collaborative versus confrontational strategies.

Finally, the analysis presented here resonates with recent calls to integrate the geographically uneven consequences of mineral extraction into the analysis. Orihuela (2018), for instance, argues that a nuanced analysis of how institutions shape the multiple governance challenges associated with resource extraction in specific places must be undertaken. Most of the adverse effects of mining are related to its impacts on water and land resources (Bebbington & Bury, 2009). Hence, in densely populated regions where these resources are at once scarce and the basis for local livelihoods, peaceful coexistence may be elusive. Mining in arid areas, where agriculture or other economic activities are not feasible, might instead serve as a vehicle to generate resources for regional development by promoting other productive activities elsewhere in the region. To identify the regions in which the preconditions for mining exist (or could reasonably be created) requires state agencies with the capacity to assess the possibilities and limitations for developing mining and monitoring environmental impacts in situations of hydrological stress. It is also imperative that regions develop both the capacity to further the diversification of their economies and a consensus regarding where mining is socially or environmentally infeasible. Consistent with other important studies (Sexton, 2019; Atlin & Gibson, 2017), we found that subnational governments played a critical role in assuming these functions. An outstanding question of great practical relevance is how responsibility for these fundamental decisions ought to be shared among different levels of the state.

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## NOTES

1. Within the resource-curse literature, institutions are often understood as 'formal rules and procedures' (cf. North, 1990), and a wide variety of institutions is presented as likely crucial for curse avoidance (Orihuela, 2018).
2. In 2015, their title was changed from regional presidents to regional governors.
3. The company is usually referred to as Yanacocha, but is actually a joint venture between the Newmont Mining Corporation (51%), Buenaventura (44%) and the World Bank Group's International Finance Corporation (5%).
4. The Ombudsman (2019) defines socioenvironmental conflicts as related to the 'control, use and/or access to the environment and its resources'.
5. Interview with middle-level functionaries, Prime Minister's Office and Environment Ministry, Lima, 17 December 2012.
6. Interview with the ombudsman's representative, Moquegua, 24 May 2012.
7. Interviews with a water and conflict specialist, National Water Authority, 26 May 2012; and with the ombudsman's representative, Moquegua, 24 May 2012.
8. Interview with the ombudsman's representative, Moquegua, 24 May 2012.
9. Minutes Moquegua Dialogue Table, 5 July, 3 August and 8 September 2011, and 15 March 2012. Interview with the environmental manager, Moquegua regional government, 23 May 2012.
10. Interview with the head of the regional government's EEZ technical team, 6 March 2015.
11. Interview with the head of the regional government's EEZ technical team, 6 March 2015.
12. Interview with the regional governor (2006–10), 8 April 2015.
13. Interview with the head of the regional government's EEZ technical team and mid-level functionary, July 2017. The development of recommendations was perceived as controversial. The lack of clear guidelines from MINAM enabled the regional government to make the interpretation that such recommendations were part of the process of developing the EEZ report.
14. Interview with the legal advisor to Grupo Norte, 23 March 2015.
15. See <http://www.noticiasser.pe/opinion/cajamarca-herida>, accessed 6 January 2020.
16. Interviews with the former Minister and Vice Minister for the Environment, 23 and 15 May 2017, respectively.
17. Interview with a former GIZ employee, 27 July 2017.
18. Interview with a regional government official, Cajamarca, 6 August 2016.
19. Interview with the ombudsman's representative, Moquegua, 24 May 2012.
20. Interviews with the ombudsman's representative, Moquegua, 24 May 2012; and with functionaries from the Prime Minister's Department and the Ministry of the Environment, 17 December 2012.

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