

# Fool's Gold: The limits of tying aid to mining companies

Barrick Gold's massive mine in Peru has sped up community development, including schools and a hospital. So why are so many locals still jobless and poor?

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By **MARCO CHOWN OVED** Foreign Affairs Reporter  
Thu., Dec. 18, 2014

QUIRUVILCA, PERU—Towering atop a pedestal in the main square, a golden statue of a miner with his headlamp and jackhammer gleams in the morning sun, a monument to the mineral wealth on which this town was built.

The Quiruvilca mine opened almost 100 years ago, and its blackened wooden structures still loom on the mountainside above the rooftops. But a century of mining copper, silver, zinc and gold brought little development to this remote settlement, nestled in a steep valley more than 4,000 metres up in the Peruvian Andes. The roads weren't paved; many people didn't have electricity.

Nine years ago, another mine opened, operated by Toronto-based [Barrick Gold](#), the world's biggest gold mining company. It has paid hundreds of millions of dollars in taxes and royalties and the new-found wealth is visible everywhere. The local government has brought power to virtually everyone in town and is now hooking up remote villages. Through an infrastructure-for-taxes program, Barrick has constructed roads, a police college, a hospital and a school. A new highway has cut travel time to the coast from eight hours to 3.5.

But physical infrastructure is the low-hanging fruit of development. While everyone benefits from the new highway, not everyone can get work at the mine; unemployment and poverty remain endemic.

"I have to recognize that economically, (Barrick is) here and they allowed us to do projects. They allowed us to bring electricity to many communities," Mayor Walter Diaz Ramos says. "But the job opportunities, which are a direct benefit to the families, they're insufficient."

Making the jump from roads to jobs has proven difficult, and prompted people here to ask whether mining can bring lasting prosperity.

In an effort to prove that Canadian mining companies can bring more than just a few jobs to the countries where they dig, the Canadian government has launched a series of international development pilot projects in mining communities. In Quiruvilca, it has funded a partnership between the charity [World Vision](#) and Barrick to develop the economy, but the small-scale jobs created — micro-entrepreneurs, they're called — fall short of the economic activity needed to sustain the town long term.

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He spent 22 years as a tunnel builder and his deep-set eyes and creased skin testify to a life of hardships underground: long shifts in tight quarters with little light for low pay.

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Early successes like Paredes's are promising, but the project's real victory is having unlocked the Peruvian government's own money for projects that will benefit local people. When the project started in 2010, the regional government spent just over \$900,000 on five community development projects, said Onome Ako, the business development manager at World Vision. By 2012, those numbers had exploded: 21 projects were funded with \$4.9 million. Most tellingly, without any help from World Vision, that momentum was sustained in 2013, when 19 community projects received \$4.2 million.

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Canada, which under Brian Mulroney spent 0.5 per cent of GDP in overseas aid, now spends only half that: 0.27 per cent. That's about a third of the UN's official goal of 0.7 per cent for all developed nations, a target the U.K. reached for the first time in 2013.

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At the country's biggest development conference, held in Ottawa this spring, the hostility to the government's changes was palpable. (In order to attend, the Star agreed to not quote any presentations or speakers.) In one session, the moderator asked those who had their CIDA funding cut to stand up. At least half the audience of several hundred stood. Then she asked how many had a CIDA-funded program that was forced to close because the funding didn't come through in time and a quarter of the audience rose. Asked how many people had been forensically audited by CIDA, several dozen stood. When asked how many worked for organizations that no longer existed because their funding had been cut by CIDA, a handful of people rose to applause from the crowd. Among them was a representative of the Pearson Peacekeeping Centre, which was shuttered after 15 years of training police officers and government officials overseas.

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While the Harper government has been cutting back, Canadian corporations are ramping up. An increasing number of companies — especially in the mining sector — are adopting CSR policies and looking to spend money on philanthropic projects. When they sit down with cash-starved NGOs, the impetus to work together comes from both sides.

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CSR budgets are a tiny part of what mining companies spend and EWB is pushing them to redirect other spending to the local economy, something Geipel says would have a far greater impact.

According to a World Gold Council study, CSR spending by gold-mining companies is less than 1 per cent of the amount they spend on procurement of services and materials. Of the 15 major international gold-mining companies surveyed, the total budget for community projects was \$285 million. Those same companies spent more than \$35 billion on goods and services.

If mining companies bought more materials locally, the impact would be exponentially larger than any CSR project, said Scott Gilmore, a former Canadian diplomat who founded Building Markets, an NGO dedicated to incorporating businesses in developing countries into global supply chains.

“A lot of the more prominent companies — the Rio Tintos and the Iamgolds — are genuinely making an effort to have inclusive local growth,” he said. “But they actually don’t spend that much money, if you take a look at their CSR budgets versus their gross. What these mining companies should be focused on is supply chain, not CSR budget.

“You could double your CSR budget and put a few million into the local economy. Or you could increase your local spend on supply chain by 2 per cent, just by sourcing your tires here, and that will have four or five times the impact on poverty reduction and economic growth,” Gilmore said. “So spend your energy on that, not on the window dressing of the CSR projects.”

EWB and Building Markets have both been working with local businesses to bring the quality of their products up to an international standard, which has been the biggest barrier to increasing local procurement at mine sites.

Yet, DFATD remains committed to CSR, releasing last month its revised policy, called “Doing Business the Canadian Way: A Strategy to Advance CSR in Canada’s Extractive Sector Abroad,” which only mentions procurement in passing.

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Over the ridge above Quiruvilca, another image of the mining community appears. It’s a shanty town on the side of the highway, hundreds of slapped-together shacks. When the stiff wind blows, the snapping of plastic tarps echoes between mountain peaks.

Pablo Juarez Robles sits astride his motorcycle and gestures to his shack. He used to be a farmer, but has turned to informal coal mining to survive. When Barrick came, Juarez’s family farm was expropriated to make way for the mine. In return, he says, Barrick paid him about \$200 (U.S.) and promised to train him and give him steady work.

“Now I am without a job and I haven’t been with Barrick for a year and a half,” he said. “I am anxious to work at Barrick mine, but they only give you contracts. Six months. Eight months. Then they liquidate you.”

Last year, miners at Barrick’s Lagunas Norte mine went on strike for better wages. Unlike the prolonged and violent conflicts at other mines, this was resolved peacefully in a little more than a week. But Barrick is no stranger to trouble.

Barrick has been dogged by allegations of human rights abuses and environmental destruction at mines across the world: in Papua New Guinea, in Tanzania and in Chile. Even in Peru, where Barrick is considered one of the most responsible foreign companies, a protester was shot by a police officer at a Barrick mine in Ancash province in 2012.

Here in Quiruvilca, the negative effects of the mine are more mundane: broken promises, misunderstandings and desperate people.

As tractor-trailers rumble along the highway to the mine, Juarez gestures to the collection of shacks and explains the residents' grandiose plans. Most of the squatters are unemployed mining engineers and they take a technical approach to their shantytown. One day, there will be a grid of streets, a town square and even a soccer pitch.

For them, there is no question, the mine acts only in its self-interest. Whatever development the mine has brought has passed them by.

"I am offended, legally offended, because of the lies," says Juarez. "They don't fulfil their promises. Clearly, they bring development. For example, this road is because of the mine, but it's for their own benefit, their cargo, for themselves. You see, for the community, the people are still poor and there is no progress."

### **Travers Fellowship**

Star reporter Marco Chown Oved's trip to Burkina Faso, Ghana and Peru was underwritten by the 2014 R. James Travers Foreign Corresponding Fellowship.

The fellowship commemorates the career and ideals of Jim Travers, a former reporter, foreign correspondent, general manager for Southam News, editor of the Ottawa Citizen, executive managing editor of the Toronto Star and national columnist for the Star.

The Travers Fellowship finances significant foreign reporting projects by Canadian journalists and is based on Travers' belief that Canadians deserve first-hand, in-depth coverage of important stories outside our borders.

**Clarification - December 17, 2014:** *This article was edited from a previous version that referred to KAIROS as a United Church aid organization.*

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Heavy machinery at work in the open pit mine outside of Quiruvilca, more than 4,000 level near the town of Quiruvilca in the Peruvian Andes. The town had a century of m Toronto-based Barrick Gold opened the mine in 2005. (PHOTOS BY MARCO CHOWN STAR) | [ORDER THIS PHOTO](#)

Five years ago, another mine opened, operated by Toronto-based [BARRICK GOLD](#), the world's biggest gold mining company. It has paid hundreds of millions of dollars in taxes and royalties and the new-found wealth is visible everywhere. The local government has brought power to virtually everyone in town and is now hooking up remote villages. Through an infrastructure-for-taxes program, Barrick has constructed roads, a police college, a hospital and a school. A new highway has cut travel time to the coast from eight hours to 3.5.

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"A lot of the more prominent companies — the Rio Tintos and the Iamgolds — are genuinely making an effort to have inclusive local growth," he said. "But they actually don't spend that

much money, if you take a look at their CSR budgets versus their gross. What these mining companies should be focused on is supply chain, not CSR budget.

“You could double your CSR budget and put a few million into the local economy. Or you could increase your local spend on supply chain by 2 per cent, just by sourcing your tires here, and that will have four or five times the impact on poverty reduction and economic growth,” Gilmore said. “So spend your energy on that, not on the window dressing of the CSR projects.”

EWB and Building Markets have both been working with local businesses to bring the quality of their products up to an international standard, which has been the biggest barrier to increasing local procurement at mine sites.

Yet, DFATD remains committed to CSR, releasing last month its revised policy, called “Doing Business the Canadian Way: A Strategy to Advance CSR in Canada’s Extractive Sector Abroad,” which only mentions procurement in passing.

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Over the ridge above Quiruvilca, another image of the mining community appears. It’s a shanty town on the side of the highway, hundreds of slapped-together shacks. When the stiff wind blows, the snapping of plastic tarps echoes between mountain peaks.

Pablo Juarez Robles sits astride his motorcycle and gestures to his shack. He used to be a farmer, but has turned to informal coal mining to survive. When Barrick came, Juarez’s family farm was expropriated to make way for the mine. In return, he says, Barrick paid him about \$200 (U.S.) and promised to train him and give him steady work.

“Now I am without a job and I haven’t been with Barrick for a year and a half,” he said. “I am anxious to work at Barrick mine, but they only give you contracts. Six months. Eight months. Then they liquidate you.”

Last year, miners at Barrick’s Lagunas Norte mine went on strike for better wages. Unlike the prolonged and violent conflicts at other mines, this was resolved peacefully in a little more than a week. But Barrick is no stranger to trouble.

Barrick has been dogged by allegations of human rights abuses and environmental destruction at mines across the world: in Papua New Guinea, in Tanzania and in Chile. Even in Peru, where Barrick is considered one of the most responsible foreign companies, a protester was shot by a police officer at a Barrick mine in Ancash province in 2012.

Here in Quiruvilca, the negative effects of the mine are more mundane: broken promises, misunderstandings and desperate people.

As tractor-trailers rumble along the highway to the mine, Juarez gestures to the collection of shacks and explains the residents’ grandiose plans. Most of the squatters are unemployed mining engineers and they take a technical approach to their shantytown. One day, there will be a grid of streets, a town square and even a soccer pitch.

For them, there is no question, the mine acts only in its self-interest. Whatever development the mine has brought has passed them by.

“I am offended, legally offended, because of the lies,” says Juarez. “They don’t fulfil their promises. Clearly, they bring development. For example, this road is because of the mine, but it’s for their own benefit, their cargo, for themselves. You see, for the community, the people are still poor and there is no progress.”

### **Travers Fellowship**

Star reporter Marco Chown Oved’s trip to Burkina Faso, Ghana and Peru was underwritten by the 2014 R. James Travers Foreign Corresponding Fellowship.

The fellowship commemorates the career and ideals of Jim Travers, a former reporter, foreign correspondent, general manager for Southam News, editor of the Ottawa Citizen, executive managing editor of the Toronto Star and national columnist for the Star.

The Travers Fellowship finances significant foreign reporting projects by Canadian journalists and is based on Travers’ belief that Canadians deserve first-hand, in-depth coverage of important stories outside our borders.

**Clarification - December 17, 2014:** *This article was edited from a previous version that referred to KAIROS as a United Church aid organization.*

**Read more about:** [Barrick Gold](#), [Stephen Harper](#)