Placer Dome’s Las Cristinas Project, Venezuela

Factoring Social, Cultural and Environmental Concerns into Development Decisionmaking

Aidan Davy
Auristela Perez
Manish Bapna

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Chapter 1

Introduction and Background

The Las Cristinas gold mining project in Bolivar State, Venezuela, is an important project from several perspectives. Firstly, at over 11 million ounces of recoverable gold it will easily be the largest gold mine within Venezuela and a major operation by international standards. Secondly, the project is consistent with the government’s objective of decreasing economic dependence on oil related industries and attracting investment to the mining sector. Thirdly, it will be the first example of where a government-private sector joint venture develops a major international gold mine in Venezuela from exploration through to production. Fourthly, the project is being developed in an area that was previously extensively worked by artisanal small-scale miners, and an integral component of the project’s evolution has been to find some accommodation between unauthorized small-scale mining activities and the larger mining project. Fifthly, Las Cristinas will be the first major mining project that Placer Dome will be implementing following the publication of its Sustainability Policy, which commits the company to developing projects in a sustainable manner. Finally, the project is located within a forest reserve, which raises important questions about the nature and extent of activities that should be permitted in such areas.

At the time of fieldwork for this evaluation in November and December 1998, the project was at an important milestone in its development. Feasibility studies had been completed and all the necessary permits and approvals had been obtained to proceed with the project. More significantly, a dispute regarding title to the Las Cristinas concession that had mired the project in legal proceedings and delays of over 18 months, had finally been settled in favor of the project promoter, Minería Las Cristinas (MINCA). This dispute had resulted in the project being put on hold for almost a year. The company was in the final stages of arranging project financing, with an anticipated start date for construction in the first half of 1999. In this respect, it is hoped that the evaluation could in some way help to contribute to the development of the project as well as yielding valuable lessons that might be applied elsewhere with respect to the pre-development phases of mining.

The evaluation therefore provided an opportunity to learn from the pre-development situation, important in that once projects are under development the historical context is difficult if not impossible to capture. It also provided an opportunity to explore questions about what the limits of social and environmental responsibility of corporations ought to be, at a time when uncertainty remains over whether the project will proceed or not. In many instances little or no consideration is given to the social aspects of mining projects at this stage. It is therefore important to bear in mind that the period covered by the evaluation represents one of increasing confidence in the feasibility and economic viability of the Las Cristinas project, as opposed to one of certainty that the project would ever proceed.

Aims and objectives of the evaluation
The overall aim of the evaluation is to develop an understanding of the institutional, social, cultural, and environmental context within which the project was being developed, and to evaluate how and why socio-cultural and environmental concerns were being factored into development decision-making. The analysis will also help us to refine conclusions derived from a desk based review of the factors influencing the integration of such concerns into development of mining projects, undertaken in the first phase of the Trilateral Development Alliance¹ (TDA) work. Some specific objectives are to gain a better understanding of the following:

- The prevailing government and corporate objectives with respect to the social and environmental aspects of MINCA’s operations since 1991?
- MINCA’s approaches to taking account of social and environmental concerns and their underlying motivations?
- Obstacles to socially or environmentally responsible behavior, and how these were overcome?
- Stakeholder perspectives of MINCA’s performance

**Approach to the Evaluation**

In advance of MINCA committing to an evaluation of their operations, they reviewed and agreed to the approach outlined in a detailed guidance note that had been prepared by the World Bank. The aims of the guidance note were to define the boundaries for the evaluation, clarify the nature and extent of the issues to be addressed, and to reach mutual agreement on the details of the evaluation.

The evaluation visits to Caracas, Ciudad Bolivar, Puerto Ordaz and Las Cristinas took place over a 2-week period during November 1998 and involved a team of two people from the World Bank and two local consultants from Caracas. It comprised a review of key project documents and extensive interviews with government representatives, employees of MINCA, and representatives of civil society (see Annex 1). More detailed follow-up interviews were conducted by one of the local consultants during December 1998 to enhance our understanding of community perspectives².

**Project Location**

The Las Cristinas project is located in the Parish of San Isidro in the Municipality of Sifontes, Bolivar State, approximately 760 km southeast of Caracas, 30 km west of the border with Guyana and 250 km north of the border with Brazil. Ciudad Guayana, the regional center comprising Puerto Ordaz and San Felix is 390 km to the northwest, and can be accessed by highway 10, a paved highway of four-lane and two-lane standard. The mine

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¹ The TDA is a World Bank supported alliance between the voluntary sector, Governments, and private companies. The aim is to help local communities, governments, and companies develop projects in a socially, culturally and environmentally sustainable manner.
Site is situated at Km 84 off Highway 10 within the sub-Amazon rainforest of the Imataca Forest Reserve.

**Background to the Evaluation: Project Area History**

The area in the vicinity of the Las Cristinas concession has a history of mining activity dating back to the last century. In the 1930's a British company developed the Carabobo underground gold mine on the present MINCA concession, but the mine was abandoned in 1939. From the 1950's to the late 1980's artisanal miners employed a variety of methods to extract alluvial gold. In addition to panning, hydraulic monitors were widely used to excavate in forest areas and scour river-banks and beds. The use of monitors accounts for the dramatic alterations in vegetative cover and topography (including the creation of numerous wetland areas) that clearly demarcate mining areas from primary forest. Gravel pumps and sluices were also used to assist gold recovery in association with hydraulic monitors. To assist with final recovery of gold, mercury was widely used without recovery or environmental controls, and it persists as a contaminant in soil, water and sediments.

In the 1970’s and 1980’s an estimated 5000-7000 artisanal miners were active in the project area, and the total population living on or around the Las Cristinas concessions in shantytown settlements reputedly numbered more than 20,000. In the latter part of the 1980’s, the population dwindled considerably, in part due to the legal prohibition on the use of hydraulic monitors and in part due to diminishing gold returns as near surface deposits became depleted. In 1990, the Corporación Venezolana de Guayana (CVG), a government owned development corporation with iron and bauxite mining interests in Bolivar State, invited international tenders for the exploration and development of the consolidated Las Cristinas concessions. In 1991, Placer Dome de Venezuela C.A. (a wholly owned subsidiary of the Canadian mining company Placer Dome Inc.) entered into a joint venture agreement with CVG to explore and, if feasible, develop the gold deposits of Las Cristinas. The joint venture company, Minera Las Cristinas (MINCA), is owned 70% by Placer Dome de Venezuela (PD Ven) and 30% by CVG.

One of the conditions of the PD Ven-CVG Shareholder Agreement was that the property be delivered free from illegal occupation and mining activity. This was to be the responsibility of CVG, who had initiated removal of small-miners from the Las Cristinas concessions by demolishing smaller settlements in late 1989. An estimated 1200 people left the area as a consequence, presumably to pursue mining opportunities elsewhere. In parallel, CVG contracted sociologists to prepare the illegal miners living in the remaining shanty settlements of Las Claritas Adentro and Santa Domingo for relocation. This involved conducting a census of the area, establishing length of residence, relocation requirements and persuading illegal miners of the need to relocate. CVG also developed plans to deliver public services (such as water, sanitation and electricity) to a relocation site.

In October 1991 when PD Ven initiated exploration there were approximately 2800 people living and working on the concession. Between September 1991 and January 1992, CVG resettled these people to a site 6 kilometers to the east of the shanty settlements on the concession, and 1 kilometer from Las Claritas Afuera located on Highway 10. Relocatees were provided with basic building materials (cement and zinc sheeting) to construct dwellings. However, the plans for public services were never fully implemented and only a rudimentary water supply system was provided two years after relocation.
Two separate settlements emerged from the relocation, Ciudad Dorado (which is now generally referred to as Nuevas Claritas) and Santa Domingo. The distinction appears to have resulted from differing allegiances to locally powerful men, although both communities share the same basic characteristics. They also share a deeply felt resentment towards CVG for what they perceive as its failure to deliver on promises. This particular issue is disputed and dealt with in more detail in subsequent chapters. What is undisputed is that little consideration was given to the critical issue of alternative livelihoods for relocatees or areas in which to continue mining on a legal basis. Not surprisingly, the majority of relocatees continued to derive income from small-scale mining activities following relocation.

Route map to the report

The report is divided into five main sections. The introduction describes the aims of the evaluation, locates MINCA’s operations in their regional setting and provides some background to the project. The second chapter describes the project evolution and its social and environmental context, and chapter 3 describes the evolving regulatory, policy and management framework for social and environmental issues relating to the project. Collectively, the first three sections set the scene for the findings of the evaluation, which are presented in chapter 4. Finally, conclusions and recommendations are presented in chapter 5.
Chapter 2
The Social and Environmental Context of the Project

Proposed operations

Despite a long history of mining on the Las Cristinas concession, the residual gold deposit is estimated to contain in excess of 11 million troy ounces of recoverable gold. This easily makes Las Cristinas the largest single gold deposit identified to date in Venezuela. In addition, an estimated 450,000 tons of copper are also present. The deposit contains both low-copper oxide ore and high-copper sulfide ore. The ore will be mined by conventional open pit techniques at a rate of 40,000 tons of ore per day using large hydraulic excavators and haulage trucks. Only the less heavily weathered bedrock at depths below 120 meters will require blasting. An extensive de-watering system will be employed to keep the pit dry enough for efficient mining as rainfall is high and groundwater is within a few meters of the surface. Surface watercourses will be diverted to the east of the pit, and the combined flows of the Amarilla and Las Claritas rivers will discharge to the Cuyuni River.

At the plant site oxide ore will be processed in a conventional leach/carbon in pulp (CIP) circuit. Gold produced in this manner will be processed in the refinery to produce bullion bars containing up to 90 percent gold. The high copper sulfide ore will be processed in a flotation circuit to produce gold-rich copper concentrate. The concentrate will contain 25 percent copper and 155 g/ton of gold. Tailings produced from both treatment circuits will be directed to a large tailings pond located to the west of the plant site. Tailings from the leach circuit will be treated to reduce cyanide using the INCO/SO₂ process and treated water from the pond will be discharged to the Cuyuni River.

Mine life is currently estimated at 15 years. During construction, an estimated 3500 people will be employed by MINCA and during operation, the mine is expected to employ approximately 900 people, most of whom will be hired from within Venezuela.

Los Rojas: the small miners project

In parallel with the development of the large-scale mining project, an area in the concession known locally as "Los Rojas" has been the subject of an attempt to reconcile small-scale mining with the overall project. The CVG managed relocation of 1991 made no provisions for alternative livelihoods, with the result that "illegal" mining activities resumed. Concerned by the continuation of illegal mining on the concession and the escalation of tension within the communities, MINCA contracted an independent assessment of the local situation and the risks it presented to the project. This helped to sensitize MINCA's management to the critical link between the security of the Las Cristinas project and economic opportunity for local...
people. A “co-habitation” scenario was proposed and accepted by MINCA as the basis for a company-community relations program.

Initially, through consultations with community representatives, the company earmarked Los Rojas as an area of accommodation where small miners could work without disruption and allowed batea miners (panners) onto the main concession. In parallel, the company adopted a policy of conflict resolution through negotiation and reaffirmed its policy of unarmed security. The idea of setting up a small mining operation at Los Rojas emerged from discussions between community leaders and the company. This was viewed as a partial solution to the loss of small miners’ livelihoods, particularly the displaced residents of Nuevas Claritas and Santa Domingo. It had the advantages of being on the edge of the concession closest to the resettled communities, of being perceived as a desirable site by the miners and was of marginal interest to the company.

To establish a more formal small mining operation a legal framework had to be secured and so the company required the small miners to form an association. Membership is based on criteria such as duration of residence and having mining as the main source of income. The association provides leadership, labor, and knowledge, and organizes membership participation in decisions on the development of Los Rojos, while acting as an intermediary between MINCA and small miners. MINCA finances a small, dedicated project team that provides technical support and training in mining methods and in developing and managing a business. The team jointly plans and coordinates implementation of Los Rojas with the association. Investments supported by MINCA have included a meeting house, a cooperative food store (now limited to association members), latrines, an infirmary, and most recently a cyanide and mercury-free mill that was being commissioned during the evaluation.

Over time the association has incrementally increased its control over artisanal mining activities, and introduced contributory membership, identity cards, agreed norms relating to health and safety, substance abuse, discipline, etc., and employed staff. These include an inspector of mining and a paramedic. MINCA prompted CVG to revoke the Shareholder Agreement clause excluding small-scale miners from working on the concession, helped the association to gain full legal status and the Los Rojas project to obtain the necessary environmental permits (in December 1997). The association currently has 120 full members, and 200 partial members who are bound by the rules of the association.

**Milestones in project development**

While not wanting to exhaustively catalogue the project development history, it is important to summarize the chronology of project decision-making as background to the subsequent sections.

- CVG initiated removal of small-miners from the Las Cristinas concessions by demolishing smaller settlements—an estimated 1200 people left the area as a consequence *(late 1989)*
- Placer Dome de Venezuela (PDVen) entered into a Shareholders’ Agreement with CVG to explore and if feasible develop the Las Cristinas concessions *(July, 1991)*
• CVG commenced relocation of the residents of Las Claritas Adentro and Santa Domingo (2800 small miners and their families) to new settlements off the property (*September 1991*)
• PDVEn commences geological, geochemical, and geophysical exploration program (*November 1991*)
• PDVEn and CVG form Minería Las Cristinas (MINCA) and another joint-venture company, REMINCA (*January 1992*)
• MINCA acquires right to 4 concessions in Las Cristinas 4, 5, 6 and 7, covering 4000 ha (*March 1992*), and takes formal possession of Las Cristinas on completion of relocation (*April 1992*)
• Independent assessment of the local mining and community situation commissioned (*June 1994*)
• In-depth socioeconomic impact studies concluded (*November 1994*)
• MINCA formally commits resources and personnel to technically assist a formal small-scale mining project (Las Rojas) (*December 1995*)
• Legal requisites for securing the legal status of Los Rojas identified in ongoing consultations with MEM, CVG and MARN (*1996*)
• Legal challenge to MINCA’s rights to explore and develop the prospect mounted by Crystalex in the High Court in Caracas (*April 1997*)
• Las Cristinas and Los Rojas project obtain necessary environmental permits to proceed (*August and December, 1997*)
• Las Cristinas project placed on care and maintenance status pending a Supreme Court ruling on the legal challenge to MINCA’s concession rights: significant layoffs from 400 staff to less than 20 (*April 1998*)
• Supreme Court rules in favor of MINCA and the company proceeds with arrangement of financing (*August 1998*)
• Los Rojas produces first gold following construction of the gravity plant (*April 1998*) and commercial production commences following installation of the mercury-free ball mill (*December 1998*)

Two important inter-linked points implicit in the above chronology should be highlighted. Firstly, the lead-time between exploration and production has been very long and largely a function of awaiting a decision on the contested rights to Las Cristinas. Secondly, MINCA on behalf of the Los Rojas association has struggled to find “the path to legality” that would permit the development of the small miner’s project. Given this long lead-time, it is unsurprising that local communities and Los Rojas Association members have been impatient to realize the perceived opportunities related to the project.

The Environmental Context of the Project

The Las Cristinas concession is located within the Imataca Forest Reserve, which comprises a mosaic of tropical equatorial forests. The reserve was established by Ministerial Resolution 15 of 1963, and occupies an area of 3.5 million hectares. Situated in Bolivar and Delta Amacuro states, it was declared an area of permanent forest production in 1981 and represents the largest Venezuelan reserve where logging is taking place. The designation as a reserve is principally to protect the forestry resources for future exploitation (as opposed to nature conservation), but many parts of the reserve are also of high biodiversity value. Over
the years, mining has occurred in the Imataca on both an illegal and legal basis, which culminated in the promulgation of Decree 1850. The history of mining in the Imataca and the origins of decree 1850 are elaborated on in chapter 3.

The climax ecosystem of the concession, sub-Amazon rainforest, has been degraded in many areas as a result of historical mining activities, and has been colonized by grasses, vines and smaller trees and shrubs. A mosaic of wetland habitats has also been created by mining, many of which have been colonized by a range of plants and animals. In the area where most of the mine facilities will be constructed some 70% of the original vegetation has been stripped. However, the 720 ha tailings dam will be constructed in primary forest.

The concession and surrounding areas are drained by four small rivers, the Amarilla River and its tributaries (the Las Claritas and Sofia) and the Morrocoy. These rivers are ephemeral in some years and dry up in the dry season. They drain into the Cuyuni River approximately 2.5 km from the concession, which in turn drains into the Orinoco River. Some rivers carry high sediment loads from ongoing illegal mining upstream of the concession. Disruption of drainage patterns from historical mining has resulted in waterlogging of tracts of forest and the death of large stands of trees. The widespread use of mercury for recovery of gold and its subsequent discharge directly into the environment has resulted in significant historical contamination of various environmental media within and around the concession. Since MINCA assumed control of the concession, there has been a dramatic reduction in the use and release of mercury in and around the property.

The Social and Cultural Context of MINCA’s Operations

Local Communities

There are two distinct types of communities in the vicinity of the Las Cristinas concession. The first are indigenous communities living in sedentary organized villages that inhabit the southern part of Bolivar State (mainly Pemon and Arawak Indians). The second comprises communities of Venezuelan nationals and migrants (mainly from Colombia, Guyana and Dominican) collectively referred to as “criollos”, whose unifying characteristic is that their economic activity derives from the “illegal” mining of gold. These communities are briefly described below, and their perspectives on a variety of issues is reflected in this and later chapters.

The indigenous communities of Santa Lucia de Inaway and Araimatepuy are within 7 and 16 km of the concession, predominantly Pemon with a population of approximately 500 people. Their origins date back to the 1950’s when their founding members settled in their current locations. These indigenous village economies are typically based on both traditional (agriculture, hunting and fishing) and commercial activities (carpentry, mining, poultry rearing, ecotourism and handicrafts). These villages have a stronger social and political cohesion than non-indigenous communities and their physical and social infrastructures (such as housing, roads, water and sanitation) are also superior to non-indigenous communities. This partly stems from their capacity to organize themselves for the collective benefit of the community1, that in

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1 For example, during a visit to Araimatepuy the evaluation team was shown an impressive multi-purpose building being constructed entirely by communal labor. While some of the materials were
turn relates to the respect afforded to the presiding Council of Elders and the strong religious identity (Adventist) which unites the community. It must also be acknowledged that indigenous communities are beneficiaries of a range of government-sponsored assistance programs. For example, both communities benefited from public housing programs as part of the Malaria Control Program. Furthermore, because both communities have a strong sense of customary rights to the lands that they occupy and use (which was strengthened by obtaining legal title as of January 1999), they convey a very real sense of ownership and interest in long-term planning.

The indigenous perspective on historical informal and future large-scale mining is mixed. Small-scale mining was viewed negatively, despite some local indigenous people having an involvement in informal mining. The related degradation of land and water associated was said to have adversely affected hunting. The influx of large-scale mining companies had limited their access to traditional hunting and fishing areas, (and in the case of Santa Lucia de Inaway had reduced their area of title for specified uses—some of which forms part of another company’s concession). However, both communities are keen to integrate into the mainstream of society while retaining their distinct cultural identity. They view mine related employment as one mechanism to achieve integration. The indigenous communities are best positioned to take advantage of economic opportunities from foreign mining companies. For example, Araimatepuy has already secured carpentry and forest product supply contracts from MINCA and Santa Lucia de Inaway has started a poultry production facility.

In contrast to the two local indigenous communities, the “criollo” communities of the area are politically less organized and lack a similar degree of social cohesion. Almost all of their economic activity continues to be derived from the informal mining of gold, which has become increasingly difficult to practice due to incremental measures that render their activities illegal (see chapter 3), as well as the natural depletion of accessible resources resulting from historical mining. No "legal" mining areas were assigned to the small miners at the time of relocation and little or no thought was given to alternative income generating opportunities. In practice, many residents are therefore routinely subject to prosecution by the National Guard. In 1994, CVG negotiated the award of two contracts to local small-miner associations, one close to Nuevas Claritas (San Isidro concession blocks) and one 70km North of Santo Domingo (La Luisa block). However, according to local miners neither property provided productive employment by virtue of their poor mining potential (coupled with the remote location of La Luisa).

The communities of Santa Domingo and Nuevas Claritas have their origins in the CVG managed relocation of small-scale miners from the Las Cristinas concession in 1991-1992. Residents of these towns have a right to occupy the land they house is constructed on, but have no legal title to the property or land. This situation has undoubtedly influenced attitudes towards the housing stock and environs, and living conditions are basic for most residents. An estimated 2800 people were relocated, but subsequent migrations (predominantly outward) had reduced the estimated population to 1242 in Nuevas Claritas and 477 in Santa Domingo (1994 CVG estimates). This number is thought to have grown with a more recent influx of "economic" refugees and job aspirants from other parts of the country.

gifted from a range of sources, the project was a major undertaking considering its reliance on the willingness of individuals to give freely of their time and effort.
The other criollo communities in the project area are Las Claritas at km 85 on highway 10 (200 inhabitants), Km 88 (680 inhabitants), El Granzon (270 inhabitants) and Las Manacas (120 inhabitants). Las Claritas and Km 88 have their origins in the 1950's and developed as commercial centers supplying small-scale miners. Km 88 was also the last stop-off point en route to the Canaima National Park and the Brazilian border. The other communities also developed as a result of small-scale mining in the 1970's. The social cohesion of such communities stems more from a "siege mentality" in the face of government opposition to their modus vivendi, rather than from adherence to a code of conduct or religious affiliation.

Socioeconomic characteristics of communities

Most of the following information has been summarized from an extensive socioeconomic impact study conducted on behalf of MINCA in 1994. While the percentages and precise details may have changed somewhat, the information has been qualitatively verified during field visits. In general, the delivery of public services by local or regional governments has been poor, and national government intervention in the area is limited to law enforcement via the National Guard.

Health: Basic curative and preventative health care is provided at medical clinics in Nuevas Claritas and Arahimatey, and a medical center in Las Claritas (the latter originally built and financed by CVG, but support was withdrawn in 1993). The main causes of mortality and morbidity are malaria, diarrhoeal disorders, respiratory infections, skin diseases, and venereal diseases. The underlying causes are inadequate supplies of fresh water (less than 25% of houses have running water), poor sanitation (including garbage and sewage collection) and unsatisfactory living conditions. These conditions are exacerbated by the inadequacy of healthcare services. Staff are underpaid and stocks of drugs and consumables are often minimal or non-existent. As part of the Governments decentralization program, the responsibility for healthcare provision resides with the State Government, although local government may also have a role. In the absence of sufficient financial support, large-scale mining companies are increasingly called upon to supplement meager resources.

Education: Despite a relatively high literacy rate for the project area compared to Sifontes Parish (90% and 85% respectively), educational infrastructure is lacking for all age groups in the project area. There are 3 schools offering education to 9th grade and the nearest middle school that educates students to 11th grade is 90 km away in El Dorado (some children make the trip each day setting out at 4.00am). Services such as water, sanitation and electricity are poor and materials are in short supply. Absenteeism is common, particularly amongst older children who often care for younger siblings while both parents work. The State Government abandoned fiscal support for two other public elementary schools in the area due to budgetary constraints. A school at Las Claritas received financial support from CVG until 1993, when funding was withdrawn. Currently, the cost is shared by the State and District governments.

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5 Population estimates based on CVG's estimates from the 1994 census.

Housing: Most houses in the project area are classified as shacks (66%), compared with 42% in the Parish of Sifontes. Less than 25% of houses have running water (compared to a national average of 85%) and fewer than 10% have indoor toilets. The most common construction materials are zinc sheeting for walls and roofs and cement floors. However, the standard of housing is noticeably higher within the indigenous communities (which are also beneficiaries of government housing programs). There is considerable resentment towards CVG in the two relocation communities regarding the poor quality of housing. They claim that CVG promised much but delivered little in a climate of coercion and threats. The allocation of construction materials to one resident was 2.5 bags of cement and 16 sheets of zinc sheeting. Although residents have a right to occupy the parcel of land they live on, this does not confer ownership rights.

In summary, living conditions in the project area are generally far from satisfactory and public service provision is woefully inadequate.

Community perspectives on public services

The poverty of public service provision is magnified by three commonly held perceptions within mining dominated communities. Firstly, it is widely believed that public services and life in general were better when Amalfi Grossi held the rights to Las Cristinas (1966-1989), prior to CVG revoking the concession. Grossi, an Italian immigrant, earned a reputation as a fair-minded philanthropist and benefactor, who gifted money or materials to those in need. He built a church (which is also the site of a monument to small miners), school and health center for the benefit of those who worked his concession and the wider community. Memories of his generosity have perhaps grown with his departure from the area (and subsequent death), while memories of the harsh living conditions, endemic violence and daily murders that people endured may have faded. However, one inescapable fact remains: Grossi was a visible accessible local manifestation of authority who had the power to grant requests. He was accessible and responsive, in contrast to peoples perception of all levels of local government. This in part explains why local people invest so much hope in obtaining broader development benefits from large mining companies.

Secondly, it is commonly believed that CVG is waging a campaign to eliminate small-mining communities by ensuring that service provision remains poor. In this manner, people will eventually be forced to move from their current homes and the “problem” of small miners will have been solved. Given the legal restrictions on small mining and the difficulty of obtaining financing to develop alternative livelihoods this is perhaps understandable. Thirdly, there is almost a universal expectation that large mining companies have a responsibility to provide for the displaced small miners as part of the “special benefits” clause in the contracts they signed with CVG. This is clearly open to interpretation as the contracts make only vague references to special provisions.

Local institutions

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7 As stated in a CVG form signed by the relocatee as proof of receipt of assistance.
It is worth briefly mentioning a number of local institutions that are also stakeholders in the MINCA project. Firstly, most communities have recently elected Neighborhood Associations as provided for under the decentralization processes initiated in 1989. Although technically the lowest level of local governance, the associations in the project area lobby local governments, CVG and large mining companies (often invoking the "special benefits" clause in the contracts they signed with CVG or MEM) to finance improvements in their living conditions. Their leadership often coincides with Mining Association representatives, and they enjoy varying degrees of support depending on factors such as visibility and political affiliation. This is somewhat analogous to the elected boards headed by Captains in indigenous villages, which have a greater influence over all aspects of indigenous life (partly by virtue of support from the Council of Elders). One recurring theme in the language of the Neighborhood Associations (and other local community organizations) that the evaluation team repeatedly heard was the need to combine self-reliance with external contributions. This apparent culture of self-help ("we are not looking for handouts" represents a significant "change" from when the socioeconomic studies were undertaken in 1994.

Over 75% of people in the project area profess some religion, mostly Catholic although many out of practice and the Catholic Church is not a strong institution locally. The Adventist Church is more rigorously observed by its followers, principally in indigenous communities. The local Churches believe that the large mining companies have an important role to play in local service provision. Commercial interests are represented by the local Chamber of Commerce, who are critical of government policy towards small miners. They welcome the potential government investment in infrastructure and economic opportunities created by large-scale mining, but are wary of losing out to non-local goods and services providers. The Chamber highlighted the very real problem of entrepreneurs gaining access to credit without having land or property to use as collateral.

The PRODEINSUR (Fundacion Pro-Desarrollo Integral del Sur) foundation's membership comprises elected representatives of all Neighborhood Associations, religious groups and commercial groups. The foundation's main objective is to characterize and find solutions to the problems of the area, which are viewed in holistic terms. It believes that all problems (in areas such as health, nutrition and education) must be tackled in parallel, with proper consideration for the environmental sensitivity of the area. While this may appear to present inherent contradictions (given the dominant livelihood of many of its constituents), the members appear to be committed and well intentioned. It was not possible to gauge local respect for the institution as a whole, but some of their initiatives are progressive. For example, they are also conducting an employment census to help maximize local employment opportunities in mining, etc. The foundation has also taken on a monitoring role to ensure that mining companies or others who make promises do not renege on commitments.

The local Mayor (District of Tumeremo) and Bolivar State governor have a limited local presence, with one representative based in Las Claritas. There is also said to be limited support from the State to the District, as the Mayor and Governor are at odds politically. As part of the move to decentralization, the districts receive money from central coffers and also have the power to raise local taxes. They then theoretically distribute some money to Parish Councils to implement local projects such as small-scale water supplies, garbage collection, etc. The Siofontes Parish Council claims no money is received and so it has unilaterally
attempted to raise local taxes. Inadequate financing is a common complaint at all levels of local government. Faced with budget cutbacks, the Mayor of Tumeremo looks to MINCA and other large mining companies to help finance development in the vicinity of the Las Cristinas concession.

Finally, the National Guard (NG) is the only national government agency with a local presence in the area. The NG is the armed section of the public administration services, with the responsibility to ensure that laws are implemented and complied with. This includes regulations made under the Environment and Mining Laws as neither the Ministry of Environment and Natural Resources (MARNR) nor the Ministry of Energy and Mines (MEM) have any local capacity for enforcement. Under the Penal Environment Law of 1992, for example, individuals may be fined for infractions (minor offences such as failure to pay for permits) or jailed for criminal activities, such as unauthorized entry to land with a hydraulic monitor. The NG is generally not well regarded by locals who perceive them as corrupt and out to obtain bribes or "matraca". In turn, the NG claims that they implement laws that require punitive measures to be taken with regard to illegal small-scale mining.
Chapter 3

The Evolving Regulatory, Policy and Management Framework for Social and Environmental Issues

Historical Policy Context

Since the discovery of large reserves of oil in Venezuela earlier this century, the government priority has been on development of the oil sector in support of social and economic development. In this respect, mining was perceived as a ‘second-class citizen’ and low on the list of priorities for successive administrations. An indicator of this is that the rudimentary requirements relating to declaration of title to mineral resources in the Mining Law of 1945, was only superseded by a system for allocating concessions in 1974.

In the late 1980’s, the government placed greater emphasis on economic diversification. The Corporation Venezolana de Guayana (CVG), the state owned industrial conglomerate with iron and bauxite mining interests in Bolivar State, assumed a more central role in the promotion and administration of mining activity in the Guyana Shield, an area of great mineral potential including Bolivar state. Mining was declared a leading economic area in the National Development Plan of 1995 and the Ministry of Energy and Mines (MEM) were responsible for implementing this policy.

The current emphasis within MEM is on maximizing the revenue generating potential of mining, through high technology large-scale mining operations. Small-scale mining is generally viewed as undesirable due to the associated environmental and social impacts, and the inability of government to adequately capture revenues from informal mining activity. The current preference is that small-scale mining be developed in association with large-scale mining projects, as described in the section below on regulation.

All revenues from mining are directed to the Ministry of Finance. Until recently there was no mechanism whereby a proportion of these revenues could be earmarked for regional or local development activities. However, in line with the decentralization process being promoted by the current administration\(^8\), a Special Donation Law of 1997 provides for 15-20% of government revenues from mining to be returned to regional administrations. There is no mechanism whereby a proportion of mining revenues may be directed to municipal administrations.

Regulation of the Mining Sector

The Constitution is the fundamental basis for Venezuelan Law and takes precedence over all other legal instruments. The hierarchy of these other instruments is as follows: organic laws take precedence over “ordinary laws”, which in turn take precedence over Presidential Decrees or

\(^8\) At the time of the field visit, the government of President Rafael Caldera was in its final few weeks in office. In December 1998, Hugo Chavez was elected President by an overwhelming majority.
Ministerial Resolutions. Decrees are issued by the executive branch and do not require the approval of congress.

**The Mining Act of 1945 and proposed amendments**

In Venezuela, all mining activity is regulated by the Mining Law of 1945. The law was passed at a time when the State imposed restrictions on foreign investment, which was further discouraged by exchange controls. It also predated the development of Venezuela’s environmental laws, and makes no distinction between industrial or small-scale mining. It is generally considered to be outdated for the purposes of promoting and controlling development of Venezuela’s mineral resources, despite piecemeal attempts to update the law. For example, the concession system was introduced by Decree in 1977, replacing the original system of claim-staking (see section on small scale mining below). In 1990 dividend taxes were eliminated, and the rate of tax on profits from mining was subsequently reduced from 67 to 34%.

A new mining law is in the process of development, although its drafting has been subject to much debate and delay. It includes fiscal incentives to promote mining by further reducing the income tax rate to 30% and granting VAT exemptions (currently 16.5%) for the first 5 years of mine life. It also establishes a bidding process for concessions and would enhance the legal status of the recently formed Superintendency of Mining. However, it is not clear if the law will institutionalize greater coordination between MEM and MARNR, as in the past there has been tensions between these institutions.

To address the issues related to small-scale mining (see next section), the new law would promote an intimate association between small and large-scale mining activities. Given that small-scale activity often predates (or closely follows) large-scale mining, the aim is to make provision for small mining activity in association with major mining projects. At present it is unclear where the balance of responsibility will lie between government and private companies to support this type of parallel development. However, government is keenly interested in the emerging experience at Las Cristinas with the Los Rojas project, which they view as a potential model for application elsewhere.

**Small-scale mining: incremental moves to illegality**

The 1945 Mining Act provides for small-scale mining, insofar as the original simple mechanism for registering title to exploit minerals through ‘claim-staking’ applied equally to small or large-scale mining interests. Prior to 1974, any Venezuelan individual or group could declare title to a mining prospect (typically gold or diamonds in the case of small miners) by notifying the MEM in writing, and this was sufficient for the purposes of developing a mineral resource. Furthermore, Title 6 of the mining law (“Concerning Free Use”) provided for free access to alluvial minerals for small miners, provided that primitive methods were used (typically bateas, sieves and sluices) and vein material was not disturbed. The “free use” provision also permitted the manual extraction of material from pits up to 10 meters square to an infinite depth.

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9 For a more in-depth discussion of this aspect refer to Davidson, J (1994). *Report on the Small Scale Mining Situation in Las Cristinas, Venezuela.* Report to Placer Dome Venezuela
In 1977, Decree 2039 introduced a change to the system for granting concessions whereby applications to develop mineral resources were now subject to technical and economic evaluations in place of the simple 'claim-staking' provisions under the mining act. For many small miners, this presented a significant obstacle to their livelihoods. Decree 2039 also terminated the “free use” provisions of Title 6 with respect to alluvial minerals, making all bateero mining outside of concessions illegal. The decree was introduced with scant consideration for the impact on small mining economies (and the related social impacts) and of the practicality of enforcement. Consequently, small mining continued on an illegal basis.

In 1985, CVG undertook an initial diagnosis of the small-scale mining situation in the Guayana region. The organization of miners into legally accountable entities and the creation of small mining areas were central to CVG’s strategy for asserting control over informal small mining. Decree 845 of 1990 formally delimited certain areas for small-scale mining, but required individuals or groups to form cooperatives in order to apply for concessions. It has been suggested that there is little coincidence between some of these areas and the occurrence of the greensand belts, the geological formation that holds the greatest gold bearing potential in Venezuela\textsuperscript{10}. Consequently, some small miners are effectively compelled to move to areas where they have no legal right to enter or explore.

From a small miner’s perspective, a further layer of bureaucracy was added with the introduction of a permitting process in 1991 under the Environment Law, which stipulated requirements for permits to occupy land or affect resources. This required the preparation and submission of environmental documents, irrespective of the scale of the mining operation. Most small miners argue that this is beyond their capacity or resources, although this is not accepted by MARNR. More recently, in 1993 the use of hydraulic monitors, mercury and cyanide for alluvial mining was declared illegal by MEM Resolution 368 (with the exception of operations within designated CVG small mining contract areas), limiting the capacity of small miners to excavate and process new materials.

The cumulative effect of these measures has been to make it progressively more difficult for small miners to operate legally. While most of these measures make sense in the context of maximizing government returns from resources development and particularly environmental protection, social and community concerns have been almost ignored. It is clear that there has been no coherent attempt to address the issue of small mining which addresses all of these aspects, thereby acknowledging the reality that the activity will continue on an illegal basis (given the limited capacity of the National Guard to enforce current restrictions).

\textit{History of mining in the Imataca Forest Reserve: The evolution of Decree 1850}

The Imataca Forest Reserve was established by Ministerial Resolution 15 of 1963, and occupies an area of 3.5 million hectares. Situated in Bolivar and Delta Amacuro states, it was declared an area of permanent forest production in 1981 and represents the largest Venezuelan reserve where logging is taking place. The designation as a reserve is principally

\textsuperscript{10} This was suggested by at least two informants with an in-depth knowledge of the small mining situation in Bolivar State.
to protect the forestry resources for future exploitation as opposed to nature conservation, but many parts of the reserve are also of high biodiversity value.

The Imataca also overlaps the primary gold, diamond, bauxite and iron deposits of Venezuela, and has therefore attracted formal and informal mining interests since the late 1930's. Despite the forest reserve status of the Imataca, in 1965 Decree 375 established a Reserved Zone for exploration and exploitation of minerals within the Roscio District of Bolivar State. Decree 1046 of 1986 permitted the exploration and exploitation of alluvial gold within a 270,000 square kilometers of the El-Dorado-Kilometer 88 corridor (which included the Las Cristinas Concessions) to be administered by CVG. Decree 845 of 1990 delimited additional areas for small-scale mining activity within the Imataca. In total, approximately 90 concessions for small and large-scale mining have been allocated by MEM within the Imataca. In parallel to formal mining activity, there have been numerous “gold rush” events in the Imataca involving illegal small-scale miners using hydraulic monitors and sluicing techniques, often resulting in widespread environmental degradation.

At the request of CVG, Decree 1409 of 1990 delegated responsibility from MEM to CVG, with its focus on regional development and knowledge of the mining sector, to explore, develop and exploit gold and diamonds in alluvial and vein deposits within the Guayana region. This enabled CVG to directly grant mining exploration contracts through joint ventures with private mining companies. The transfer of responsibility had the objective of streamlining the process of allocating concessions, and over 300 contracts were awarded by CVG between 1991 and 1996 independently of MEM. Concerns over a lack of co-ordination between CVG and MEM, and at the manner in which some CVG concessions were allocated prompted the National Comptroller’s Office to declare Decree 1409 illegal and invalid. CVG’s power to grant concessions was subsequently revoked and this responsibility reverted to MEM in late 1996. The legal status of CVG contracts is uncertain, and could theoretically be revoked by MEM. To date, none have been revoked and the expectation is that the concessions will stand or be re-issued to the current holders.

The status of many CVG contracts and MEM concessions was further complicated by the environmental permitting process within the Imataca. Since 1991, prior to commencing exploration companies or individuals are obliged to obtain a land occupation permit from MARNR. Outside of specially designated areas, MARNR were legally obliged to refuse such applications. Aside from the commercial uncertainty this created, it had the inadvertent effect of marking potential areas for illegal mining.

Decree 1850

While the objective of Decree 1850 is to facilitate the sustainable development of the Imataca Forest Reserve, it was largely prompted by the ambiguities surrounding mining development in the reserve. It includes regulations pertaining to both existing and future mining activities. The Decree identifies five zones within the reserve, including a mixed management zone of 1.38 million ha (38% of the reserve) within which mining is permitted. Approximately 10% of this zone is subject to major restrictions (as yet unspecified) as a consequence of its high

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11 Poor coordination between these two institutions was the source of the competing claims by several companies, including Placer Dome and Crystallex for the Las Cristinas concessions.
biodiversity. The remainder is subject to the standard environmental permitting restrictions, and MARNR will now be in a position to grant the necessary permits, subject to the submission of satisfactory environmental documentation.

The government’s aim through Decree 1850 is to promote the rational economic development of the area, while controlling illegal mining and related adverse social and environmental impacts, increasing revenues from formalization of mining activity mining, and reducing criminal activity related to small mining. The rationale is that since mining is currently taking place, much of it illegal, there ought to be a mechanism for formalizing and controlling these activities. However, critics of the decree argue that it goes against the concept of a forest reserve and will lead to potentially widespread environmental degradation in much of the reserve. They consider the government’s forestry policy to be outdated, with insufficient emphasis on sustainable forestry and biodiversity conservation, and the areas allocated to mixed management to be too extensive. They also consider the Decree to be unconstitutional insofar as there was inadequate consultation on the final draft of the Decree. This matter is currently awaiting a ruling by the Supreme Court.

Provisions for Environmental and Social Assessment and Public Involvement

Decree 2213 of 1992, made under the 1976 Environment Law, stipulated generic requirements for environmental assessment that applied to mining and other sectors. This formed part of the process of obtaining a permit to occupy and affect land, and included no specific reference to the people affected by mining projects. More recently, in 1995 MARNR produced more detailed sector-specific guidance for environmental assessment as part of Decree 1257 that includes a section on mining. This superseded Decree 2213, and stipulated discrete permitting requirements for land occupation, land affectation (to facilitate exploration and feasibility work), and environmental affectation (to permit mining development).

With regard to the socioeconomic aspects of mining, Decree 1257 provides for baseline studies to include a quality of life baseline. Mining project sponsors are required to demonstrate that projects will maintain or improve the overall quality of life. Although there are no mandatory requirements for public consultation, the view of the regional MARNR office in Puerto Ordaz is that all new mining projects will require public consultation. No such provisions applied for the Las Cristinas project.

There are no specific regulations governing involuntary resettlement of people. In the specific case of small-miners, the government perspective is that unless small-scale mining is legally sanctioned, small miners have no right to occupy land and may be forcefully removed by the National Guard.


Evolving corporate policy and responsibilities for managing social issues

Prior to the creation of the MINCA joint venture company in early 1992, there was no specific Placer Dome policy governing social and community relations at Las Cristinas, other than a generic clause in Placer Dome’s Corporate Environmental Policy to respect local
communities. With the establishment of the PD Ven exploration camp and arrival of the first staff onsite in 1992, nobody was assigned an explicit mandate to manage such issues. The company policy was that dealing with small miners in particular and communities in general was part of CVG’s responsibility, while PD Ven (and subsequently MINCA) had responsibility for the technical and environmental aspects of project development. The Shareholder Agreement exclusion clause for small miners and their dwellings, was a reflection of the status of community relations in negotiating the concession.

The continuing movement of small miners and materials to and from the concession was a fact of life from the earliest days of exploration. PD Ven had a contractual responsibility to prevent encroachment onto the site (as part of the Shareholder Agreement) and an obvious interest in reducing the large-scale loss of gold reserves. While some international companies in the area chose to create barriers to entry such as armed guards, PD Ven adopted a policy of unarmed security. Initially, they allowed small miners to remove material from various parts of the concession in sacks for off-site milling. In potential conflict situations, they employed negotiation techniques rather than confrontation or persecution and invoking the assistance of the National Guard was a last resort.

In early 1994 the first MINCA appointed Camp Manager arrived onsite, which coincided with the conversion of the camp from a PD Ven managed exploration camp to an operations camp. Shortly after his arrival, he received a “rude awakening” to the issues facing small miners when he was ‘kidnapped’ by a group of small miners frustrated by MINCA’s attempts to limit their access to the site (specifically) and their socioeconomic circumstances (more generally). Having listened to the small miners concerns, the Camp Manager obtained the agreement of the then President of PD Ven to develop a plan of action with respect to the relocated communities. This articulated an integrated approach to developing effective actions with the participation of local communities. It proposed short and longer-term measures to be implemented with the involvement of MINCA, other large mining companies and local authorities.

By mid 1994 the new mine management was sufficiently concerned about the potential threat posed to the project by a volatile small miners situation that an independent assessment of the mining and community situation was commissioned. In line with the recommendations of the independent assessment, a policy of passive accommodation of small scale mining in the Los Rojos area commenced in late 1994/early 1995. In parallel, informal mining activities on the main concession were restricted to panning and small manual sluice box operations. The inauguration of the Los Rojos small mining project in early 1996 (supported by a full time project director employed by MINCA) marked a policy shift from passively accommodating to collaboratively assisting small miners. In parallel, with the exception of panning all other small-scale mining activities on the main concession were prevented and more rigorously controlled by MINCA’s security staff.

As recommended in the plan of action developed at the instigation of the Camp Manager, a full time Community Relations Officer was employed in late 1994 to develop a socio-economic improvement program. The program was designed to strengthen community

12 Essig, K.; Mendez, M.E.; and Pinelly, C. (1994). Proposal for a plan of action regarding necessities in the area of services to satisfy the communities of Ciudad Dorado and Santa Domingo. MINCA internal memo.
social and economic capabilities and institutions. The Community Relations Officer’s mandate was to work directly with the local communities to identify and assist in the implementation of social development, training, community infrastructure, and business development opportunities. The objectives and proposed activities of the program are summarized in Table 3.1.

<table>
<thead>
<tr>
<th>Program objectives</th>
<th>Planned Activities</th>
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<tr>
<td>• improve the level and distribution of income within local communities</td>
<td>• vocational/literacy training for adults</td>
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<tr>
<td>• facilitate the creation of a sustainable, diversified economy</td>
<td>• expansion of educational opportunities for young people</td>
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<tr>
<td>• encourage local initiatives and help develop stable communities</td>
<td>• local business development, including non-mining related</td>
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<tr>
<td>• increase the level of education and training within communities</td>
<td>businesses</td>
</tr>
<tr>
<td>• improve quality of life and access to essential public goods and services</td>
<td>• support for incipient community organizations (women’s</td>
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<tr>
<td>• minimize the environmental impacts of new and existing activities</td>
<td>committee, neighborhood association, miners’ association,</td>
</tr>
<tr>
<td>• increase participation of women in development</td>
<td>youth association)</td>
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<td></td>
<td>• capital improvements to local services and facilities</td>
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<td>• local and regional hiring program</td>
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<td>• non-conflictive resolution of the small-scale mining</td>
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<td>situation.</td>
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MINCA have supported a range of community development activities including two school expansion projects, and a potable water storage tank supplying both Santo Domingo and Nuevas Claritas. The local health clinic benefits from salary support, provision of medical supplies and water, maintenance of the facility, and access to the company ambulance. Assistance has also been provided to indigenous communities to construct and maintain road access to a visitor’s center, to acquire de-feathering equipment for a commercial poultry production facility, and material support for the construction of new classrooms and an extension to the clinic. The company has attempted to involve local institutions as partners. For example, a training program for Neighborhood Associations was organized with the collaboration of Escuela de Vecinos. They also obtained co-funding from the Canadian International Development Agency (CIDA) for a study to explore opportunities to diversify the local economy in the Kilometer 88 mining district. The study focussed on a variety of micro-business opportunities unconnected to the large scale mining project, as well as the Los Rojas project.

With the departure of the Community Relations Officer in early 1998 and the care and maintenance status of the project, recent activity in the area of community development has been limited. However, the project director for Los Rojas has recently been appointed the Sustainable Development Director of MINCA, and will have responsibility for managing the Los Rojas project and coordinating wider social and community issues. Part of his mandate will be to evaluate the socioeconomic improvement program to ensure that it is consistent
with Placer Dome’s corporate sustainability policy (adopted in 1998), and to revise the program in advance of construction commencing.
Chapter 4

Evaluation Findings: Processes and Outcomes

The overall aim of the evaluation was to develop an understanding of the institutional, social, cultural, and environmental context within which the Las Cristinas project was being developed, in order to evaluate how social, cultural and environmental concerns were being factored into development decision-making. This chapter presents the findings of the evaluation, which are grouped under three broad headings. The first explores the enabling environment for delivering sustainable projects in the minerals sector. The second critically evaluates MINCA’s policy and programs, and other aspects of their interaction with communities such as the Los Rojas Project. The final section describes the origins of communities expectations of benefits and presents community development aspirations and perspectives on the Los Rojas project.

The Enabling Framework for Sustainable Mineral Resources Development

This section considers legal, fiscal and institutional factors influencing sustainable mineral resources development. This might include for example, provisions for public involvement in project decision-making; mechanisms whereby revenues from mining projects are distributed to promote widespread socioeconomic development; fiscal incentives for private corporations to invest in social infrastructure; or the existence of an agency or other organization that is actively involved in promoting sustainable mineral resources development.

In common with many other countries, Venezuela has few (if any) such provisions that are explicitly directed to enhancing the sustainable development of natural resources. Furthermore, while the environment is recognized as an important issue and afforded various levels of legal protection (supported by a diversity of committed NGO’s), the social dimension of natural resources development or environmental protection is generally weak. Some specific issues relating to the enabling framework are discussed below.

Socioeconomic studies, public consultation and social development capacity

The MARNR three-stage environmental permitting process described in chapter 3 (land occupation, land affectation and environmental resources affectation) is primarily based on environmental considerations, and an EIA is prepared as part of obtaining the final approval. There are no specific guidelines for project sponsors that identify the circumstances in which socioeconomic baseline or impact studies should be undertaken as part of an EIA process. Furthermore, there are no mandatory requirements for public consultation during preparation of the EIA13. Therefore, a process of identifying stakeholders, determining the social area of influence of a project and consulting with affected stakeholders is not legally prescribed. However, it should be noted that the Guayanain Regional Office of MARNR in Puerto Ordaz

13 If sufficient opposition to a project is raised with MARNR by affected parties, MARNR are obliged to call a public hearing
has recently instituted a process whereby all new mining projects will be assessed in the early stages to determine whether public consultation is appropriate.

The "imbalance" between social and environmental protection in the environment laws is echoed in the limited capacity of MARNR to deal with the social aspects of development and more specifically, the social dimensions of small-scale mining. In this respect the current MARNR perspective is unequivocal: illegal small-scale mining is inherently environmentally damaging and the National Guard (in their capacity as environmental enforcement officers) should take all necessary steps to prevent such activities and ensure that the environment is protected. Given that it is impractical to un-bundle many aspects of natural resources protection from the basic needs of people, there is either a need to strengthen the social capacity within MARNR or to strengthen its links with other institutions that have a social development mandate (although in the case of small-scale miners no such institution exists). In either case, MARNR would benefit from having better social capacity in order to specify and respond to socioeconomic studies.

In the specific case of Las Cristinas, the institution that was most in need of social development expertise and capacity was CVG. CVG Small Miners Department contracted the advice and guidance of social scientists to develop a relocation strategy, conduct a census in advance of relocation, and persuade small-miners to move. The level of social infrastructure embodied in the plan was far superior to that which was eventually delivered. However, CVG failed to follow through on this plan for reasons that are unknown. The status of the original relocation plan is debatable, insofar as it is not clear whether it represented a blueprint for relocation agreed to by all parties or an illustrative internal CVG document. In any case, it seems clear that promises were made based on this plan by those responsible for managing the relocation, which are at the root of the deeply-ingrained community disaffection with CVG. It appears that these consultations were informal, and therefore there is documented record of CVG commitments or community responses.

This raises the broader issue of whether past mistakes could be repeated. CVG no longer has responsibility for allocating concessions, which MEM now administers. However, MEM has no capacity to deal with such issues effectively and almost no local presence in the Guayana region, where most mineral resources development is likely to take place. MEM has the same difficulty as MARNR, whereby there is no organization focussing on small-scale mining issues to forge links with to obtain the necessary expertise. This issue is perhaps best addressed as part of an overall strategy for small miners, as discussed in chapter 5.

**Benefits distribution and 'Special Provisions' in mining license agreements**

In the context of the enabling framework, benefits distribution is principally concerned with the allocation of project revenues. As mentioned in chapter 3, all mining revenues go to the Ministry of Finance and in line with the provisions of the Special Donation Law of 1997, 15-20 % of revenues are directed to state administrations. However, there are no restrictions on the use or distribution of such revenues. As a consequence, little or no money may trickle down to local project area administrations with responsibility for social infrastructure and development.
Clearly there are local benefits from being in close proximity to a mine (in terms of direct employment and related multiplier effects), yet the burden of negative social and environmental impacts also falls on local communities. For this reason, there is an emerging consensus that those most directly affected by large mining project’s benefit in some way from project revenues. The only possible mechanism that currently exists in Venezuela is the ‘special provisions’ clause in mining license agreements, whereby project sponsors can commit to a range of measures to enhance the appeal of their bid for mining licenses. This could include special projects (such as schools or health clinics) or offering a higher royalty rate than the mandatory 1% (which would effectively increase the tax burden on companies).

The special provisions clause, however, used in isolation from the planning process does not provide a good basis for the enhancement of social infrastructure. Unless the proposed provisions fit with local and regional development plans, and are supported by government commitments to staff, supply and maintain where appropriate (as in the case of health clinic’s), they may have little development benefit. Furthermore, the special provisions are unlikely to reflect local development aspirations, given that they are developed at a stage when companies have little local presence in the project area and are unlikely to appreciate the needs or aspirations of communities. There is also no means whereby communities are involved in the allocation of concessions. Finally, it is likely that a commitment to raising the royalty rate would carry more weight than community development proposals when MEM are considering the relative merits of bids for concessions.

In the absence of an obvious mechanism whereby benefits from project revenues accrue to project affected people in Bolivar State, it is recommended that consideration be given to how local development initiatives could be financed from the government share of project revenues. However, experience from other countries where provision is made for distribution of revenue to local level governments suggests that it is essential that adequate local capacity be developed to prevent mismanagement of funds. This aspect is elaborated on in chapter 5.

**Fiscal incentives for socially responsible behavior by companies and small-scale mining**

As far as we are aware, other than the special provisions clause discussed above there are no fiscal incentives to promote community investment by mining companies. For example, the costs of community investments can not be offset against taxes or royalties. This is perhaps not surprising as such provisions are by no means universal, yet the one critical area where fiscal incentives might be important is in relation to small-scale mining. As mentioned in chapter 3, the new mining law may promote an intimate association between small-scale and large-scale mining and in this respect, the government is keenly interested in the emerging experience at Los Rojas. However, this association comes at a cost that is difficult to quantify and could well be viewed as a financial risk by potential investors. Consequently, it may be prudent to develop fiscal incentives to partially offset the risks.

Encouraging an intimate association between small-scale and large-scale mining appears to be at the center of government policy towards small miners. Some interviewees

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14 For example, the evaluation of BPXC’s oil and gas project in Casanare and of Chevron’s operations in PNG highlighted the need to develop local capacity for management of oil revenues in order to maximize their development potential.
regarded this as an abdication of responsibility by government, when what is required is a comprehensive small-scale mining strategy. It is also somewhat ironic that MEM and MARNR show such enthusiasm for this approach given the difficulty MINCA had in securing the necessary approvals on "the path to legality" for Los Rojas (discussed in greater detail below). There will probably be relatively few projects in Bolivar State that would sustain a Los Rojas style initiative and it is therefore important to develop an independent small-scale mining strategy. The fiscal incentives referred to above could be an important component of such a strategy, but they are not a substitute for government oversight.

Social and environmental provisions in strategic planning: the case of Imataca.

The evolution of Decree 1850, which was designed to facilitate sustainable development of the Imataca Forest Reserve, has been outlined in some detail in chapter 3. The authors are not in a position to comment on the efficacy of the measures contained in the Decree nor on the validity of the arguments of those who are opposed to it (see chapter 3). As these matters are currently being considered by the Venezuelan Supreme Court, further comment is inappropriate in any case. However, the origins of the Decree and its intent is of broader interest in that it represents an innovative attempt to strategically plan the management of natural resources in the context of competing pressures on resources.

The juxtaposition of conservation areas, mining interests, indigenous peoples, forests, etc. is very common in countries other than Venezuela. The key to the sustainable and rational management of natural resources is strategic planning, yet it seldom occurs. One of the primary advantages of this approach is that governments and communities have an informed basis on which to exclude environmentally and socially vulnerable areas from development. Insofar as Decree 1850 represents an attempt at strategic planning to respond to competing demands on resources, MARNR are to be congratulated.

MINCA’s Evolving Social Policy and Programs

It is too early in the development of the Las Cristinas project to comment in any detail on the outcomes of MINCA’s social policy and programs. The unanticipated delay in the project as a result of the legal challenge from Crystalllex has also led to delays in implementing the socioeconomic improvement program and strained the patience of project personnel and local people. Furthermore, one of the first tasks of the Sustainable Development Director will be to revisit the program in advance of construction. Hence, the following comments focus on some early observations as opposed to a systematic evaluating of policies and programs.

Several positive aspects of MINCA’s approach to managing social and environmental issues deserve a mention. Firstly, the comprehensive project socioeconomic studies provided a very useful baseline and basis for community development activities, consultation, etc. MINCA’s assumption of remedial costs for historical mercury contamination and environmental degradation was also progressive. Once the potential threat to the project from small miners was appreciated MINCA developed an action plan to enhance social services provision to relocated communities (although it was never fully implemented) and commissioned an independent evaluation of the situation and implemented the recommendations (which led to the Los Rojas project). The significance of this step should not be underestimated as it was without precedent and represented a new departure for all
parties concerned (not to mention a significant investment by MINCA of some $1.25m to date). MINCA’s security arrangements have also served as an extension of the company’s community affairs activities. They also obtained co-funding from CIDA for a study to evaluate opportunities for local economic diversification.

In other areas, MINCA’s management of social issues has been less commendable. In particular, although PD Ven’s presence necessitated the relocation of miners from the concession, they do not appear to have assumed a strong role in redressing some of the apparent mistakes made by CVG during relocation (see below). The company’s approach to public consultation appears to have been very informal, and has not served their interests well. Although the project EIA was not reviewed in detail, the ecological component left some important questions unanswered, and there was no public consultation on the EIA at any stage. Finally, MINCA’s policy and strategy for managing social and community issues has been generally reactive. Most of these issues (positive and negative) are discussed in more detail below, starting with MINCA’s role in relocation.

Relocation and MINCA’s\textsuperscript{15} related responsibility

PD Ven had a role in the CVG managed relocation of informal miners from the Las Cristinas concession, insofar as their interest in the property required the concession to be delivered free from occupation. One of the clauses of the PD Ven-CVG Shareholder Agreement commits CVG to delivering the property to MINCA free from small miners, and requires MINCA to prevent access to the property from small miners thereafter. It is clear, based not only on anecdotal reports but on the CVG relocation report\textsuperscript{16}, that the relocatees of Nuevas Claritas and Santa Domingo were promised social service and housing provisions of a far superior quality to that which they actually received. The embittered accounts of relocatees about undelivered promises are not surprising in this context.

Given PD Ven’s role in relocation, where should the limit of MINCA’s responsibility to relocatees lie? In some respects, the problems arising from relocation can be firmly laid at CVG’s door, as they were solely responsible for relocating small miners from the Las Cristinas concession. It could also be argued that CVG had initiated the process of relocation before PD Ven had an interest in the property, and would have continued relocation irrespective of PD Ven obtaining the concession. However, it would be disingenuous for MINCA not to bear some responsibility for the failure of CVG to deliver on its promises. Given the original intent behind relocation, MINCA had and continue to have the greatest stake in ensuring that relocatees were adequately provided for, both in terms of their living conditions and livelihoods.

MINCA’s proposed plan of action to enhance social services provision to relocated communities of 1994 indicated that the company envisaged an active role for itself at that stage. Some of the principles embodied in the plan were progressive, such as the active participation of communities and eventual hand-over of responsibility for managing social

\textsuperscript{15} To avoid confusion, MINCA is used throughout the report. However, Placer Dome Venezuela participated in the negotiations with CVG and MINCA (a Placer Dome-CVG joint venture company) was formed in January 1992.

\textsuperscript{16} While the authors have not managed to obtain a copy of this report, they have spoken with a number of people who have read the report and are familiar with its contents.
infrastructure to communities. The specific proposals (such as improved sanitary facilities and relocating a small-miners monument from the concession to Nuevas Claritas) were responsive to the needs and wishes of communities. Although a role was envisaged for CVG, local authorities and other companies, the proposed methodology put MINCA at the center of preparing a plan for implementing and financing the works. However, the momentum was lost and the Community Relations Officer (who was appointed based on a recommendation in the action plan) focussed more on managing expectations and a minimalist social investment program. The reason for this is discussed in the next section below.

There is also a question of principle, not yet touched upon, that relates to the limits of responsibility of the State to a group of people involved in illegal activities, i.e. small-scale mining. Arguably, the State’s responsibility is to enforce the laws without reference to the social consequences of this action. However, in the particular instance of Las Cristinas two over-riding considerations apply. Firstly, the small miner’s circumstances progressively changed from legality to illegality as a result of a series of legal rulings described in chapter 3. Secondly, CVG made certain commitments that it subsequently reneged on.

In light of these circumstances we believe that MINCA have a responsibility to put pressure upon its partner, CVG, to better deliver upon its commitments to improving the socioeconomic infrastructure in the relocated villages. CVG’s expectation may have been that the transient nature of the informal activities undertaken by the residents of Nuevas Claritas and Santo Domingo would eventually have resulted in abandonment of the villages by miners in search of economic opportunities. While many people are reported to have left, there is clearly an expectant core of residents who remain in impoverished circumstances.

**MINCA’s overall policy and strategy for managing social and community issues**

For the most part, PD Ven/MINCA’s policy and strategy for managing social issues has been reactive rather than proactive. The significance of the potential threat from small miners was not originally appreciated and it was only following the conversion of the camp from exploration to operations that small miner issues were given any attention. During exploration, small miner concerns appear to have centered upon maintaining the property free from illegal mining activity (as stipulated in the Shareholder Agreement) and ensuring that exploration was not disrupted. The MINCA Camp Manager took a somewhat longer-term view in 1994, and envisaged MINCA playing a central role in improving social infrastructure in relocated communities (as articulated in an action plan to enhance social services provisions mentioned above).

A full time Community Relations Officer was employed in line with the recommendations of the action plan, yet his activities appear to have centered on managing expectations through minimizing engagement with communities. The irony is that the process of developing the action plan seemed to contribute to raising expectations, which in turn fuelled disaffection when these were not met. For example, on more than one occasion residents of the relocated communities indicated that MINCA had committed to re-siting the small miners monument and then reneged on this commitment.

Why was the action plan effectively shelved or at least downgraded? At the time, the company’s social strategy followed a ‘critical issues’ approach, whereby resources were
allocated to the areas of greatest need. The issue of alternative livelihoods for small miners emerged as the critical issue from developing the action plan, which in turn led to the independent assessment of the small mining situation. It appears that most social investment resources were allocated to partially addressing the critical issue of alternative livelihoods through the Los Rojas project, where a proactive approach has been developed. Between 1995 and 1998, almost 90 percent of the social investment budget was allocated to Los Rojas (US$900,00) compared to US$150,000 for all other social aspects.

In retrospect, the company should have maintained a better balance with respect to social investment. In this regard, it is important to recognize that construction has not yet commenced, which raises legitimate questions regarding the limits to social investment at this stage of the project. However, the willingness of MINCA to commit significant resources to developing Los Rojos in a participatory manner has not been balanced by substantive participatory community development investments. The recent adoption of the corporate sustainability policy by Placer Dome and appointment of MINCA's Sustainable Development Director provides a suitable opportunity to critically evaluate past approaches and develop a proactive strategy for construction and operation.

**Los Rojas: A model for the future?**

The evolution of the Los Rojas project is briefly described in chapter 3. Despite the significant delays in implementing the project, it represents a very progressive approach to managing the difficult issue of how to accommodate small mining concerns in the context of a major mining project. It is also widely cited by government agencies as a potential model for other large mining companies to follow within Venezuela. A number of positive aspects of the project deserve mention.

Firstly, MINCA were prepared to take risks in supporting Los Rojas—its success is by no means a foregone conclusion and the investment required is substantial. Secondly, the initial passive accommodation of small miners (as the first step that led to Los Rojas) required foresight, and further demonstrated MINCA's willingness to take risks based only on an independent evaluation of the small mining situation. While the analysis and recommendations of the report on this evaluation may seem common-sense with the benefit of hindsight, there was no local or other precedent to support their adoption. The process of undertaking the evaluation was also positive in terms of community-company relations, in that the needs of small-miners were of central concern (as opposed to the traditional perspective on the "problem" of small miners).

Thirdly, the company promoted a process that supported the development of capacity amongst small miners to work on a collective basis. The appointment of a field-based full-time project officer was the cornerstone of this process, which involved education, development of organizational capacity, and bringing about a profound shift in perspective from the short-termism of small miners to a much longer-term view. This iterative process involved a delicate balance between supporting, encouraging and promoting self-determination. MINCA was instrumental in the formation of the small miners association

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ACMAR (Asociacion Civil de Mineros Artesanales Los Rojas) and gradually encouraged ACMAR to increase control over activities at Los Rojas. For example, the introduction of contributory membership, identity cards, agreed norms relating to health and safety, substance abuse, discipline, etc, represent milestones on the path to formalization, but were achieved by gradual encouragement. In parallel, the association's capacity to organize itself, conduct meetings, maintain accounts and reach decisions through debate and consensus developed, supported by training and education.

Fourthly, despite several legal obstacles (partly caused by conditions of the PD Ven-CVG Shareholder Agreement and the location of Los Rojas within the Las Cristinas concession) MINCA went to considerable lengths to help ACMAR gain full legal status. In effect, 125 uncontrolled illegal miners operating as individuals or in small groups have been transformed into a legal entity with health, safety, and environmental standards. The project also benefited from the CIDA-MINCA co-funded study. For example, a trip to learn from organizational and environmental controls that are being practiced or implemented in the small-scale gold mining sector of Bolivia, led to an on-going learning relationship between MEDMIN18 and the Los Rojas project.

In spite of MINCA's best efforts, ACMAR have some criticisms of its handling of Los Rojas. For example, they consider that the implementation of the project could have proceeded faster if MINCA had committed more staff and resources. While they appreciate the assistance from MINCA to develop their capacity to plan and manage Los Rojas, they believe that the company has been somewhat paternalistic in not proceeding faster. The ACMAR members have invested four years of effort in Los Rojas and are keen to reap the benefits, as they have had to endure financial hardships by deferring potential earnings (although since 1997 a committed core of ACMAR's members have been compensated for their work on Los Rojas).

To the extent that the Los Rojas "model" provides a partial solution to the issue of illegal small mining, and develops Venezuelan capacity for planning and management of legally compliant medium-scale mining projects, the potential to transfer lessons learned is encouraging. The model also has other added benefits in terms of building trust between companies and communities and facilitating communication between small miners and government agencies. However, ACMAR has only 125 members compared to the estimated 500 small miners living in relocation villages, plus an additional 450 small miners elsewhere in the project area of influence. Consequently, there is a compelling need for an overarching small miners strategy (as mentioned above).

Finally, although Los Rojas represents the major community development effort by MINCA to date, the company should carefully note the widespread perception of Los Rojas as a contractual agreement between MINCA and ACMAR, rather than something of broader benefit to communities. People recognize and applaud the efforts by association members and MINCA to make the project succeed, but that does not translate into a personal stake in

18 MEDMIN are a Swiss financed technical assistance project to promote better environmental control in small-scale mining. MEDMIN staff have provided technical assistance and training to the Los Rojas project since the study visit in May 1997.
Los Rojas. While the indirect benefits are recognized and appreciated (such as the economic multiplier effect if Los Rojas is successful), Los Rojas is not perceived as linked to any wider community development strategy.

Security as a benign component of community affairs

The manner in which the security of the Las Cristinas concession was obtained when Placer first commenced operations on site, and is maintained, is interesting in the context of community relations. When MINCA first began exploration in 1992, they had a contractual responsibility to prevent small-scale miners from encroaching onto the site (as part of the concession agreement) and an obvious interest in reducing the large-scale loss of gold reserves. Initially, they allowed small miners to remove material from various parts of the concession in sacks for off-site milling, but once the Los Rojas area was designated they encouraged all small scale mining to be concentrated in this area.

The restriction of informal mining activity to a relatively small area was initially resisted by a hard-core of approximately 90 miners, who continued to work elsewhere on the property. They attempted to obtain ‘compensation’ prior to moving, without success. The activities of this group were monitored closely by MINCA’s unarmed security team who limited the activities to sacking material for offsite disposal, but no forceful action was taken to remove the illegals (for example by obtaining the cooperation of the National Guard to prevent an illegal activity). A process of passive negotiation and persuasion was continued to prompt the remaining miners to eventually move. This contrasts markedly with the approach of Crystalleex on the neighboring property. Crystalleex are said to have regularly called in the National Guard in response to trespass by informal miners, and their private armed guards are reputed to have shot and killed a number of small-miners (although these reports are unconfirmed).

In the numerous interviews we conducted with local communities mention of MINCA’s security provisions was conspicuously absent. While there is clearly a need for mining companies to secure their assets for safety and environmental reasons as well as the economic imperative) it appears that MINCA have managed to strike a reasonable balance.

Public consultation: informal versus formal?

During fieldwork for the evaluation visits, it became clear that MINCA representatives had engaged in numerous discussions with communities on a variety of issues. Examples include negotiating with small-miners to limit their activity on the concession, discussing the siting of the water tank serving Santa Domingo and Nuevas Claritas, and in developing MINCA’s socioeconomic improvement program. However, for the most part, these consultations appear to have taken place on an informal basis, with the exception of the discussions leading to the development of Los Rojas, which are clearly documented.

The reliance on informal approaches to consultation has not best served MINCA’s interests. Local people frequently referred to promises made by MINCA (in some cases at meetings where MINCA’s recently appointed Director of Sustainable Development was present), and in the absence of documented agreements from previous discussions, it is difficult to establish their efficacy (or what MINCA’s follow-up response should be). More
importantly, as staff changes occur in the community development section, it is critical that a record of past discussions maintains "institutional memory". For example, while the proposed socio-economic Improvement Program of MINCA appears relevant and well conceived, it is not possible to determine how well it reflects input from community representatives. The issue of staff changes raises another important question, which is explored in the next section.

In the case of the project EIA, there was no consultation with communities or other stakeholders other than as part of the socioeconomic baseline studies. There was also little or no interaction between the teams responsible for environmental and social studies. When we challenged some of the staff responsible for the EIA about the lack of formal consultation, the response was that it had not been necessary given the overwhelming level of support for the project. Given Placer Dome's international experience with EIA, the failure to elicit local concerns and accommodate these in project design is surprising.

*Can corporations overcome the 'cult of the personality'?*

One striking aspect of the extent to which MINCA is perceived as a 'good' or 'bad' corporate citizen, is the critical role of key individuals in shaping these perceptions and the related reputational risks. Establishing a corporate identity and culture in a highly decentralized company such as Placer Dome may be relatively simple in the Vancouver Headquarters, but is much more complicated in a remote part of Southern Venezuela. At Las Cristina, corporate culture is subordinate and the public perception of the company ultimately hinges on a select few individuals. This may partly be attributed to the low level of staffing at Las Cristina and the pre-eminence of a few strong personalities, and in part to the protracted project negotiations which have resulted in a fairly stable staffing regime over a relatively long period. In these circumstances there has been ample opportunity to establish and build up relationships between the company and communities or other stakeholders.

Over time, disaffection with aspects of MINCA's approach to community affairs has increased, in parallel with expectations of project benefits. These disappointments, expectations and hopes are invested perhaps more in the individuals that represent MINCA, rather than in the corporate entity. The head of community affairs in particular, as the conduit to obtaining benefits from the company, is under particular scrutiny, with the obvious drawback that the company's reputation largely rests with a single individual. Many community representatives are highly critical of the ex-Community Affairs manager, who was frequently accused of elitism and favoritism. However, he is doubly disadvantaged in not being available to defend himself and insofar as his depiction may result from positioning for future benefit, in addition to his actual performance. Irrespective of the reality of his performance, which we can not comment upon, over time perception becomes reality.

Can corporations overcome the potential reputational risks associated with this cult of the personality? As well as placing a significant burden on the individuals having the most direct contact with communities it leaves the company exposed. However, the community affairs function is about people, and the value in communities dealing with individuals rather than faceless corporations should not be underestimated. Ultimately, the challenge for corporations is to ensure the appointment of staff with the requisite skills and cultural
sensitivity, and to try to ensure consistency between the different groups of staff and contractors who come directly into contact with communities.

Community Perspectives\(^{19}\): expectations, dependency and development aspirations

In chapter 2, community perspectives on issues such as the CVG relocation, mining (both small and large-scale) and other aspects of their current situation were discussed. The primary focus of this chapter is on the origins and nature of people’s expectations of benefit, the capacity for self-determination (and factors contributing to dependency) amongst communities, and on community development aspirations. Two important factors underpin the observations presented below. Firstly, at the time of the evaluation it was widely anticipated that construction of the MINCA project would soon commence and secondly, the Hugo Chavez had just been elected President. These two factors contributed to the generally optimistic responses.

Origins and nature of expectations of benefit

In the communities around Km88, people’s expectations are linked to their perceived historical abandonment by government (and CVG in particular), that has become a defining aspect of their circumstances. Consequently, their expectations center on obtaining community rights in light of past failures by various government institutions, and fall into two broad categories. Firstly, communities expect to obtain improved provision of health and education services, drinking water and sanitation, roads and electricity, and housing. Secondly, there is an expectation of employment in large scale mining, which represents a viable alternative to artisanal mining.

Although neighborhood associations have demanded improvements for communities at local, regional and state levels, as well as from CVG, they have had very limited success. In their view, this places an additional burden of responsibility on MINCA to carry out social programs of value to the communities, in line with the Special Provisions clause of its CVG contract.

Large mining companies are generally accused of failing to deliver special benefits, such as improvements in basic infrastructure, contributions to public services, health and school supplies, etc. When reminded of some of MINCA’s contributions (for example the water tank and classrooms for both Santa Domingo and Nuevas Claritas), people insisted on considering these as donations (albeit much needed and appreciated ones). This distinction between donations and community contributions is clearly delimited by a sense of organization and planning, and centers on the perceived need for neighborhood association representatives and MINCA to collectively plan for community welfare. The Criollo communities strongly believe that MINCA must support them as “they were kicked out of their old settlements by CVG because of MINCA.” Additionally, people believe that “offers” made to them by MINCA over the past four years to improve the quality of their lives, have not yet been fulfilled.

\(^{19}\) This evaluation report presents a summary of the observations contained in a more in depth appraisal of social issues conducted as part of the evaluation (see Perez, A. Inherited Reality and Social Investment. Local Perspectives of Socio-Environmental Concerns: The Relocated, Non-Relocated and Indigenous Communities Adjacent to Minera Las Cristinas).

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The Indian communities feel that large mining companies should have some responsibilities towards them, but say they are unaware of commitments made between companies and the government. In their opinion, they have not received much from the companies and therefore they expect little. However, Indian communities have certain expectations that are a legacy of past government assistance programs. For example, approximately eighteen months Santa Lucia requested government assistance with rural housing and 15 new houses were built. This was viewed as a logical continuation of the government financed housing program to combat malaria in the early 1970’s.

Employment opportunities are eagerly awaited. Before Las Cristinas reverted to care and maintenance status, many local people experienced the benefits of waged employment (such as security, labor protection, medical insurance, paid vacations, housing, etc). The anticipated opening of the Las Cristinas mine is therefore eagerly awaited. However, local people also have concerns regarding employment at the mine. For example, they are concerned that they may be overlooked for positions due to a lack of formal training, even though they may be capable of doing the work. They are also worried about workers being employed from other parts of the country, which might be fueled through political interference from unions. One health related concern is that many small miners will be deemed unfit to work as they suffer from hernias brought about by arduous labor.

There is a strong desire on the part of all communities that training be provided to enable local people to participate fully in the whole spectrum of employment opportunities (as opposed to primarily unskilled labor). The opening of the mine is also anticipated to bring indirect benefits through the creation of micro-enterprises, and local communities are keen for MINCA to provide training courses in developing and managing successful micro-enterprises. The desire to work for MINCA represents a marked shift in local attitudes from 1994, when small miners were generally opposed to the idea. This partly reflects the diminishing returns from small mining (due to depleted alluvial reserves and increased persecution), and a far greater sense of permanence amongst the residents of Criollo communities—a desire to settle rather than pursue the next gold rush.

Capacity for self-determination: dependency and contributing factors

The capacity for self-determination is closely linked both to expectations and development aspirations. It has an important bearing on the extent to which communities can benefit from potential opportunities, and actively contribute to the realization of development aspirations. This section does not attempt to empirically measure or compare the capacity for self-determination of communities, but aims to distil some factors that appear to influence the dependency of local communities based on extensive consultations with project area communities. It is hoped that this will be of value both to communities and MINCA/government agencies. For convenience, these may be grouped as organizational, economic, political and legal factors.

Organizational factors relate to the capacity of communities to work collaboratively, develop and manage projects, and capture and use information on community development. While the indigenous communities appear to have a greater capacity to work collaboratively and manage projects, both Indians and Criollos have a poor understanding of what assistance
is required or may be available to facilitate community development projects, and how to obtain it. Their approaches to agencies and companies may often have failed through their inability to present projects that were technically sound. As regards economic factors, these principally relate to the extent to which communities have forms of subsistence or income other than mining. Whereas Indian communities are still actively engaged in subsistence activities and have fewer people involved in mining, mining and related activities are the lifeblood of most Criollo communities.

Political factors relate to the extent to which community leadership is respected internally, and affected by political affiliations (either positively or negatively). The leadership of both Indian and Criollo communities are elected, but the indigenous leaders enjoy the support of the Council of Elders. They are also affiliated to the Federation of Indigenous of Bolivar State that defends their rights, promotes projects and programs, and can make representations on behalf of its members to public agencies and private companies. Neighborhood associations have no equivalent supporting organization. They are also more likely than Indian leaders to have strong political affiliations, which can work to their benefit or detriment depending on whether their affiliates occupy higher levels of government.

Within the project area, the principal legal factor influencing community dependency is land tenure. Whereas the two local Indian communities recently obtained title to "use, enjoy, and benefit from" their lands, Criollo communities have no such legal protection. This acts as a disincentive to invest in housing stock or communal buildings/facilities. It also severely constrains individual's capacity to obtain credit without collateral, and limits the prospects for economic diversification.

If community development aspirations are to be realized, it is important that community’s capacity for self-determination is improved. There is the potential to positively influence almost all of the factors described above, with the exception of institutionalized political patronage. Some possible approaches are mentioned in chapter 5.

*Community development aspirations: short, medium and long-term*

Given the recent origins of some of the communities in the project area (notably Santo Domingo and Nuevas Claritas), the maturity of community development aspirations throughout the project area was very striking. This contrasts with a generally much more dependent outlook captured by the socioeconomic studies of 1994. People’s aspirations were directly related to the current level of community development, and were based on the perceived minimum requirements that a community should have. Not only were community representatives able to articulate their short and long-term aspirations, but in almost all cases they recognized that they had an important role to play in realizing these aspirations.

The short-term community development aspirations center on the effective operation of public services. Adequate healthcare provision and the development of human resources through education were consistently the top priorities. Residents of the non-relocated criollo communities (such as El Granzon) have the most pressing needs in many respects, as they are less well provided for than other communities. Medium-term aspirations relate to the development of social infrastructure and community facilities. In general, Criollo communities had some concept of the types of projects they envisioned (such as a children’s
library and cultural center in Nuevas Claritas), but most were not well developed. In contrast, indigenous communities had a clearer view of what they wanted, supported by plans in some instances.

Criollos and Indians frame their long-term aspirations somewhat differently. The Criollos see the potential for the Las Cristinas project to assure the survival of their communities beyond MINCA's presence in the area. They see an opportunity to become independent from mining and MINCA and to move into other productive areas and achieve sustainable development. The origin of this perception is unclear, but in part it is likely to have been prompted by MINCA (for example, by working collaboratively with CIDA). The Indians have a somewhat different vision. They wish to participate in the benefits of the mine to help sustain their current way of life. Many factors contribute to their vision of the future: their attachment to land, their customs and values, their responsibilities to the next generation that will inherit the present they are creating. As one Indian put it: "It is not a matter of not wanting development, it is a matter of continuing to be ourselves within development."

Achieving aspirations: the roles of MINCA, government, and communities

The mechanisms to achieve community development aspirations and possible roles of the various development actors are not yet clear to most local people. However, when prompted to think about how to achieve their aspirations, some recurring themes emerged relating to the resources that communities have or wish to have.

The communities in general, particularly Criollo communities, see MINCA as playing a dual role in delivering their short-term aspirations. Firstly, they expect MINCA to consult them about their development aspirations and act as a conduit for conveying their concerns and aspirations to government. They also hope to obtain the participation and support of MINCA and the government to work collaboratively with communities to achieve their aspirations. Representatives of all the communities visited were keen to point out that they perceived themselves as having an important role in achieving their aspirations.

Self-reliance emerged as a resource to be used by both groups, albeit in very different ways. The Criollos present their development as having been achieved through a combination of disputes, indolence and successes. What they are, they have obtained. This reliance often manifests itself in street protests (burning cars, issuing threats, or calling the media) as a means of obtaining attention. Their proudest achievement is putting pressure on the State Government to commission electricity generating plants in all Criollo villages, which they run and maintain through levying and collecting tariffs.

In contrast, Indian communities typically exhibit self-reliance in terms of their available resources such as labor, raw materials and know-how. One example is the construction of the Community House in Arimatepy. The Santa Lucia community practice of contributing with the "Diezmo" (a tithe or tenth) supports the financing of various activities for collective benefit. The Diezmo contribution is dictated by affiliation to the majority Adventist religion.
Chapter 5

Lessons and Recommendations

While there are constraints to conducting a retrospective evaluation, one of the advantages is the ability to exploit the ‘benefit of hindsight’ to critically evaluate past approaches. A second major advantage is the ability to learn vicariously from the direct experiences of those who have been involved in the project over a long period of time. This chapter, firstly, attempts to extract lessons based upon PD Ven and MINCA’s experience that may be applicable to other projects, both within Venezuela and elsewhere. Secondly, the aim is to present recommendations for government entities, MINCA and civil authorities, based upon the evaluation findings. Neither the lessons nor the recommendations should be viewed as exhaustive.

Lessons from the Evaluation

Small-scale miners: Irrespective of the legality of their presence the significance of small-scale mining activity on concessions (or potential incursions by small miners from elsewhere) should not be underestimated, either by government authorities or private companies. In particular, where small-scale mining is the main economic activity of ‘established’ communities, any external threats to their livelihoods will be strongly resisted.

The ‘problem’ of small miners can only be addressed by looking beyond the threat they present to the project. This involves developing an understanding of the reasons for their presence and the extent to which mining meets their basic needs (as a primary or supplemental economic activity), and identifying viable alternative livelihoods or opportunities to continue to mine.

The emerging policy of encouraging an intimate association between small and large-scale mining projects has merits, but should not be used as a substitute for a comprehensive government strategy towards small-scale mining. The las Cristinas project demonstrates that it is not a simple matter to foster such an association, and requires a significant commitment of personnel and money. It is also only likely to provide a partial solution to loss of livelihoods in situations where small miners are displaced as a consequence of large-scale mining projects. In reality, there may be relatively few projects in Venezuela that could sustain such an approach.

For private companies, the potential to transfer lessons from Los Rojas is very encouraging. However, it must be emphasised that it represents a partial solution and one that is likely to be viewed as a contractual arrangement between the company and participants, as opposed to part of broader community investment strategy. Therefore it’s critical that there be parallel investments in social infrastructure.

Relocation responsibilities: In situations where government-managed relocation takes place, it is important that the company takes an active role in determining the terms of, and
conditions under which, relocation should occur. Irrespective of who meets the costs for relocation, the mining company that eventually assumes responsibility for concessions from which small miners have been displaced has the greatest stake in ensuring that relocation is properly conducted. Ideally, alternative relocation options should be evaluated as part of this process. In situations where relocation precedes invitations to bid for a property, it is important that related social risks and responsibilities (actual and perceived) be determined as part of the pre-bidding due diligence.

**Corporate culture and management of social aspects:** Continuity and consistency are key factors in managing the interaction between companies and communities. In this context, it is critically important that exploration teams view themselves as part of a bigger project and recognize the need to develop relationships with communities from an early stage. A criticism frequently leveled at junior mining companies is that they often ignore social issues (or aggravate social concerns), as they have no stake in the longer-term project. Where exploration is carried out in-house by mining majors, there is the potential to avoid such problems by ensuring that adequate capacity exists to deal with social issues from the earliest stage of exploration.

The experience at Las Cristina suggests that there is the potential to enhance the ‘community affairs’ capacity within a company by linking security objectives to the objectives of community affairs personnel. This is not just a matter of serendipity, and needs to be planned to exploit the opportunities it presents. In some other natural resources projects (in Venezuela and elsewhere), security arrangements are the source of greatest conflict between companies and communities, and represent a significant barrier to developing relationships of mutual respect and benefit. Consequently, there are persuasive reasons for attempting to link both.

The Las Cristina evaluation highlighted the importance of key individuals in shaping perceptions about a company and the related reputational risks: expectations and disaffection are invested in individuals rather than corporate entities. Ultimately, the challenge for corporations is to ensure the appointment of staff with the requisite skills and cultural sensitivity, particularly in community affairs, and to try to ensure consistency in all dealings with communities.

**Public consultation:** Informal consultation has not served the needs of MINCA well, and has led to allegations of broken promises. This could be avoided by introducing a more systematic process of recording issues and their origins, indicating planned responses, time-scales for actions where appropriate, etc. In particular, it is important to formally document requests for assistance and company responses. Such records are particularly valuable to help maintain ‘institutional memory’ in the light of staff changes.

In addition, it is important to recognize that simply asking people about their development aspirations can raise expectations that there will be a response. This was apparent from the Las Cristina evaluation. It is important to establish the objectives of consultation and other forms of public involvement in advance (be it information sharing, participatory diagnosis of development needs, etc.), in order to avoid misunderstandings.

Finally, it is important to recognize that people sometimes make clear distinctions between donations and community contributions, the latter being linked to participatory planning of
social investments. In such situations, targeted investments, however useful, that take place outside the context of an overall investment strategy will always be viewed as ‘second class’.

**Community capacity for self-determination:** In advance of developing a social investment strategy, it would be useful to firstly evaluate the capacity for self-determination within beneficiary communities. The value of such an exercise is to develop an understanding of the factors that influence their ability to benefit from potential opportunities (for example micro-enterprise schemes) and contribute to the realization of their own development aspirations. It can also form the basis for strengthening community institutions, providing other forms of training, or mitigating constraints to self-determination in order to positively influence people’s capacity.

**Recommendations**

**Recommendations for Government Authorities**

- Develop a comprehensive small-mining strategy that recognizes the reality that the activity will continue, with the involvement of small miners, CVG, AVO (Venezuelan Gold Association), MEM, MARNR, State Authorities, private mining companies, etc. This might include fiscal incentives to offset risks of collaboration between large companies and artisanal miners. As a first step, it might be useful to convene a workshop involving all relevant participants in order to develop a broader understanding of the issues and establish objectives.

- As part of the process of developing a new mining law, consider how a proportion of project revenues may be directed to local or regional development initiatives. The aim is to compensate for the fact that the burden of adverse social and environmental impact falls disproportionately in these areas.

- Strengthen capacity within MEM and MARNR for managing and monitoring issues relating to small-miners, and improve coordination between these institutions. In particular, there is a need to strengthen the working relationships between MARNR and MEM.

- Strengthen capacity within MARNR to set objectives for socioeconomic impact studies and monitor compliance to achieve objectives. The current focus of MARNR is overwhelmingly biased towards the environmental aspects of development, without adequate recognition of the social aspects natural resources management and protection.

- Strengthen regulatory requirements for public involvement as part of the process of obtaining environmental approvals. The current system of discretionary consultation does not provide an opportunity for meaningful public involvement in project decision-making.

- Consider mechanisms whereby residents of the Criollo communities around Km 88 can obtain security of tenure, as a means of supporting community development initiatives.
and access to credit. The uncertainty created by their current circumstances is a significant constraint to their development.

- Develop a strategy for improving the social infrastructure for relocatees/small miners in the vicinity of Las Cristinas. Once again, a useful first step might be to convene a workshop involving key stakeholders. On the issue of financing, consideration should be given to using a proportion of CVG’s future earnings (or borrowing against future earnings) to finance social development initiatives, combined with other public and private resources.

- Subject to resolution of the Imataca dispute, consider allocating a proportion of revenues from natural resources development in the Imataca to protecting high biodiversity areas (10% of the Imataca).

**Recommendations for MINCA/Placer Dome**

- Develop a proactive social and community development policy for Las Cristinas, taking full account of consultative feedback and Placer Dome’s Sustainable Development Policy.

- Work collaboratively with CVG and other agencies to develop a strategy to improve the circumstances of relocatees/small miners. In parallel, revise the Social Investment Program as a priority with the active involvement of key stakeholders, and pursue collaborative opportunities with other development partners. Ensuring the sustainability of measures should be a guiding criterion.

- Provide technical assistance and training to communities to help improve their capacity for planning, developing, managing and monitoring projects, etc. Possible local partners to help deliver such training include [Check]

- Formalize consultative processes and use the outcome of consultations as the basis for developing an “issues database”, i.e. systematic process of recording issues and their origins, indicating planned responses, time-scales for actions where appropriate, etc. This would have the combined benefits of maintaining an agreed record of commitments by both the company and communities, and helping to track the status of company commitments.

- Promote development of relevant mining skills and expertise locally, possibly through collaborating with existing training institutes/organizations.

- Give continued support to development of mico-enterprises, and consider establishing a micro-credit facility to help overcome local problems of access to credit (with possible collaboration with other partners).

- Consider mechanisms whereby habitat loss associated with construction of the tailings dam (720ha of primary forest) may be offset, perhaps by affording protection to a similar area in collaboration with government to protect high biodiversity areas elsewhere in the
Imataca (see recommendation above). It may be possible to direct some of the proceeds from the “Environmental Clean-up and Reclamation Fund” established under the Shareholder Agreement for this purpose.

**Recommendations for Community civil authorities**

- Community civil authorities (Neighborhood associations and Captaincies) should review and improve their performance, and establish consultative and participatory processes. In this regard, the School of Neighbors of Venezuela provides courses and workshops that would be beneficial. Neighborhood associations should also establish links to the Neighborhood Federation of Sifontes Municipality.

- Establish links with agencies, institutions, and non-governmental organizations active in development and community issues. These might include the Ministry of Social Development, the Tourism Corporation, the National Institute for Cooperative Education (Instituto Nacional de Cooperacion Educativa - INCE), the Center of Studies for Learning (Centro de Estudios para el Aprendizaje - CESAP), the Foundation for the Development of Community Action (Fundacion para el Desarrollo de Accion Comunitaria - FUNDACOMUN), and the School of Neighbors.

- Using the development aspirations articulated during the evaluation fieldwork as a starting point, develop local plans based on present and projected future needs. In this respect, important partners in the planning process would include MINCA and the Municipal authority of Sifontes.

- Work collaboratively to share experiences, develop plans and projects that are mutually beneficial, and rationalize communications with outside agencies.

- Approach the Agrarian National Institute to identify the steps necessary to obtain titles of use and enjoyment of land.

- Implement an internal control and monitoring system for community projects, to monitor progress against stated objectives and track expenditures.