The Applicability of Strategic Alliances in the Development Process of Poor Communities: The Case of Peruvian Mining

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Abstract

This paper proposes applying a specific development model based on the three strategies for which the Mining Social Fund can be used: Sustainable Development, Poverty Reduction and Institutional Development and examines the possibility of using a given typology to ensure the legitimacy of strategic alliances. Additional discussion centers on whether this model is relevant in the Peruvian mining context.

Keywords: legitimacy, Strategic alliances, Social Funds, Communities, Sustainable Development, Poverty Reduction, Institutional Development

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Introduction

In the mid 1980s, many developed and less developed countries set up programs to compensate for the negative effects that structural adjustment had generated among the poor. These programs arose as a new strategy to fight poverty by intervening quickly and effectively to transfer resources and services to the neediest sectors of the population. These measures were meant to complement social policies that were already in place. The majority of these programs were set up in Africa and Latin America under the nomenclature of Social Action Funds, Social Development Programs, Social Emergency Funds, Solidarity Funds or Social Investment Funds. Today, these regions have fewer than 25 programs of this kind in place. (OIT, 2001).

In Peru, specifically in the mining sector, Mining Social Funds have emerged in response to the government's call to create a Mining Program to Promote Solidarity with the Community. This effort is known as the Voluntary Contribution (Horizonte Minero, 2009).

This program's main objective is to create a fund that is financed by the mining companies operating in the country. The Mining Fund administered by the Technical Coordination Commission is used in projects for nutrition, education, health and development and to promote productive chains, basic infrastructure, public works with local and regional impact, etc (National Society of Mining and Petroleum, 2010).

According to the MINEM report published in March 2010, 39 companies are affiliated with the Mining Program for Solidarity Action with the Community, which benefits 16 regions in the country and has accumulated approximately S /1'388 million for the Global Fund.

According to the National Society of Mining Petroleum and Energy (2010) 1,568 projects are underway. Of this total, 886 have already been finished and 187 are 80% complete. The regions that report the highest number of projects are Ancash, Cuzco and Arequipa.

In terms of the nature of the projects underway, 47% correspond to the sector of nutrition, education and health followed by work in the infrastructure sector.

The area that concentrates the highest level of efforts is strengthening capacities, followed by projects to promote productive chains, health and education (SNMPE, 2010).

Relevant cases include the Antamina Mining Fund (FMA), which has invested more than $80 million to improve the population's quality of life. This fund has reported significant achievements such as reducing chronic malnutrition by 2.94% in the group of 25,000 individuals covered in the region. The AMF strives to strengthen relations between the state and community organizations by encouraging community leaders to participate in projects (Horizonte Minero, 2009; Negocios Internacionales, 2009). In this context, the AMF was set up as an effort to promote sustainable development in the country (Negocios Internacionales, 2009).

The company Xstrata is characterized by its social commitment to the communities. Xstrata communicates with interested parties about environmental issues by conducting awareness workshops with workers. It also holds round table dialogue regarding land, environment and human rights issues (Horizonte Minero, 2009, Proinversión, 2005). The Social Fund benefits more than 83 thousand residents of 20 districts and 150 peasant communities by executing projects for potable water, electrification, health, education, agriculture and construction, etc. (Minería, 2009).

The Yanacocha mining company has also allotted resources to execute works associated with nutrition for 0-5 year olds and pregnant mothers, primary school education, health, basic infrastructure (water, light), and strengthening public administration capacities. Yanacocha's contribution to Social Fund totaled $49.6 million for the 2007 and 2009 period (CEDEPAS, 2009).

In the cases reviewed, the mining sector contributes not only to the country's economic growth but also to integral human capital development by offering services for health, nutrition and education. .

Nevertheless, the results to date lead us to following question: Why is there still a large sector of the population that has not benefitted from the resources that that mining sector contributes? According to the Inter-American Development Bank (2003), although countries in Latin America and the Caribbean reduced poverty in the 1990s, more than one third of the population is still impoverished. The poverty level is higher in rural areas (59.1%) and a correlation exists with low education levels and belonging to indigenous or African ethnic groups.

Peru's results lead us to question how local governments in the country are managing Mining Fund resources. It is also important to consider that a significant portion of the rural communities in mining areas have a negative perception of mining investment (Guzmán, 2003). This situation has generated social conflicts throughout the country. These difficulties are primarily attributable to environmental concerns (Tanaka & Huber, 2007).

As such, the following question becomes relevant: Are the proposals for sustainable development made in 1992 being fulfilled? According to Guzman (2003), Peru should promote mining investment that ensures that the population's rights and activities are respected. To accomplish this, both the state and civil society must exercise more environmental oversight to improve relations between companies and communities.

Finally, in this scenario makes it is imperative to re-evaluate the Mining Fund and ensure that it is used as part of the strategies for sustainable development, poverty reduction and institutional development in the country. The Mining Fund has generated alliances between institutions. The primary objective of this paper is to propose an integrating model to use of the Mining Social Fund and generate strategic alliances. It also discusses the applicability of this model in our context.

Five perspectives on the Legitimacy of Strategy Alliances from an Institutional standpoint

Gulati (1998) defines strategic alliances as voluntary relations between organizations in one or various spheres of activity in which both parties regulate their future behavior through mutual tolerance. In a more basic sense, these alliances constitute initiatives by the public, private and non-profit sectors to contribute financial, human, technical and intangible resources to achieve the objectives proposed (Casado, 2007; Das, & Teng, 2000; Fiszbein & Lowden, 1999; Montes & Sabater, 2002).

Other authors define strategic alliances as collaboration agreements through which public sector agencies enter into long-term contractual relations with the private sector so that the latter can conduct or manage public infrastructure projects or provide services to the community (Zarco-Jasso, 2005).

The number of alliances has increased considerably over the last few years due primarily to the fact that many companies, including the most powerful, have come to the conclusion that their human, technological and financial resources are limited. As such, they have moved to develop collaborative strategies (Inforesources, 2005; Renart, 2008). These alliances have helped boost the productivity of resources and open up new markets.

They also facilitate exchanges on strategic issues and competencies or abilities (Dyer, Kale & Singh, 2001; Fiszbein & Lowden, 1999; García-Canal et al., 2004; Ireland, Hitt & Vaidyanath, 2002)

In order to be successful, the alliances must fulfill certain principles that govern the entire process (Montes & Sabater, 2002). First, each partner or ally should "win"; Lorange, Roos & Simcic (1992) contend that each of the parties must perceive that it is benefitting from the situation. A strong commitment is needed, which means that bonds of trust and a sense of dedication need to be associated with the alliance (Gulati, Khanna & Nohria, 1994). The alliance also implies a process of flexibility, transparency in terms of giving and receiving and an understanding of what partners can provide and expect to receive (Montes & Sabater, 2002). When establishing an alliance it is fundamental to maintain clear communication to ensure that partners understand one another well (Reardon & Spekman, 1994). Finally, it is imperative to create an environment of equity and justice so that each partner perceives that the other allies will fulfill their promises and the alliance will have a productive end. If this is accomplished, the interpersonal relations between allies will be endowed with more trust (Smith & Van de Ven, 1994).

Although current literature has shown a significant interest in the advantages of establishing alliances, less thought has be given to the need to make them legitimate and credible. In fact, legitimacy is essentially relevant and refers to the perception that one institution has of another (Kumar & Das, 2007). In other words, it refers to the process of social validation by which recognition is given to a distinctive competence or quality of an institution (Dacin, Oliver & Roy, 2006). According to Suchman (1995), the concept of legitimacy carries an implicit perception that the actions of an entity are appropriate, adequate or desirable within a system of norms, values or beliefs. In this sense, legitimacy is correlated with the degree to which the institution's activities are compatible with social norms, values, the organization's expectations and the social environment (Dacin et al., 2006).

The studies conducted on this point attempt to classify or typify the types of legitimacy relative to alliances identified by Kumar &. Das (2007). It proposes two types of legitimacy, one internal and the other external; a socio-political and cognitive legitimacy; and another classification developed by Suchman (1995), which involves pragmatic, moral and cognitive legitimacy.

Along these lines, Dacin et al. (2006) have proposed another typology that is based on the institution's perception. This model analyzes five axes of legitimacy. The authors contend that institutions can strengthen their economic performance and competitiveness by examining the legitimacy of their alliances.

The distinction that the authors make is based on need drivers, which– as part of both the environment and the organization itself- come together according to a specific preponderance. In other words, given the combination of the need drivers of the company and the environment, the strategic alliance established will be more or less geared toward one of the types of legitimacy proposed.

First, market legitimacy is discussed. It is defined as legitimacy that stems from the organization's effort to achieve a higher share of and presence in the market. The emphasis here is placed on obtaining more legitimacy in a specific geographic or product market. This kind of legitimacy responds to environmental characteristics that have been determined by government support or backing that has been provided to access a market. The need drivers in this case refer both to a past experience or attempt to achieve a better reputation in this market sector as well as previous performance in said sector. As such, the source of legitimacy for an organization that seeks a strategic alliance with this preponderance stems from legitimacy that the partner has already achieved in the market. This legitimacy also seeks to impact on governments, suppliers and clients.

Second, relational legitimacy is addressed. This is defined as legitimacy that emphasizes the value of forming partnerships. The source of this kind of legitimacy comes from the relation established with the partner and the primary focus is on the potential ties that can be established. This kind of legitimacy is determined, in terms of the company, by need drivers that are rooted in the organization's historical alliances and also depends on whether alliances are particularly important in the company's line of business. In terms of the environment, this kind of alliance is dictated by competition for attractive partners as well as the need to consolidate future ties.

Social legitimacy refers to the consonance between the strategic alliance established by the organization and social expectations and rules. The objective is to build a better social image (the concept of social responsibility is included here). The source of this kind of legitimacy is the partner's social image. As such, this kind of legitimacy is focused on the communities affected by the organization's activities and public interest groups. The environmental factor acts as a primary motivator of this kind of alliance given that the social environment monitors the company's social image or because the company needs to project a socially responsible image to survive in the market. The organizations that seek this kind of alliance tend to be motivated by a need to project more visibility in terms of activities, achieve more social impact or improve their image.

Dacin proposes another kind of legitimacy: investment legitimacy**.** Just as its name suggests, this kind of alliance seeks to improve the legitimacy of the company's business and centers on the activity itself. In other words, this kind of legitimacy, which stems from the partner's support for and contributions to the business's activities, is meant to have an effect on investors and directors from other companies. It reinforces the concept that an organization's image is its business. This alliance would be sought once in organization decides to engage in a specific activity or the need arises to invest or increase resources to engage in the same. In terms of the environment, these kinds of alliances will be sought when a partner is needed to perform a specific business activity or due to the impetus of legitimate entities.

Finally, alliance legitimacy is based on whether a given alliance is opportune. In other words, the alliance is legitimated if it has been a timely decision, a "well played" card. These kinds of alliance legitimate strategic alliances. They do not legitimize a specific alliance and instead lend legitimacy to strategic alliances as a whole, which have achieved legitimacy based on the fact that they were opportune. This kind of legitimacy focuses on other organizations in general. The environment drives these kinds of alliances

to the extent that the market makes them feasible and viable. In terms of the company, an alliance of this kind seeks the firm's success or acceptance in the market.

Research shows that satisfying the need for legitimacy has allowed organizations to benefit from different strategic resources including a better reputation, access to other markets and the ability to project a positive image to specific target audiences. As such, alliances have improved their performance (Baum & Oliver, 1991; Larson, 1992).

Mining Social Fund: a strategic tool for sustainable development, poverty reduction and institutional development

Poverty is a multi-dimensional phenomenon that is visible in a number of aspects, including a lack of access to adequate education and services, malnutrition, a lack of sanitation and gender inequalities (Cichon et al., 2003). This phenomenon constitutes a threat to human rights and as such efforts to reduce these gaps are foremost on the national and social agenda for economic policies (ProInversión, 2005).

The Mining Social Fund has the potential to become a powerful strategic tool to set the bases for sustainable development, poverty reduction and institutional development.

In terms of sustainable development mining funds can and should aim to preserve the environment. This should be accomplished in a way that guarantees that the budget will be executed efficiently while reducing the ecological impact on the regions in which projects take place. The law that regulates the "plan to close mines" and the recent Ministerial Resolution (515-2006-MEM/DM) that guarantees a "plan to close mines with trusts to invest in forests" represent an opportunity that should not be missed.

The company in charge of the social fund approves follow-up on projects. As such, it will be necessary to use a comprehensive management approach throughout the useful life of the project. The individuals responsible for the project or the executors should make a list of and analyze the efforts or elements that drive or facilitate a project. This evaluation should also consider all the restrictions that have emerged that impede the project from functioning adequately (Arbaiza, 2008). For example, the Las Bambas mining project's focus on sustainable Development is based on the principle of "mining investment that is ecologically responsible and focused on social development." Ensuring sustainable development in the area of influence is indispensable if mining project is to be successful. If the population perceives the benefits of mining investment and these benefits persist over time, it will support private investment. This will generate a virtuous cycle of prosperity and well being in the future (PROINVERSIÓN, 2005).

Sustainable development projects include construction and maintenance of rural roads and connections to other roadways so that rural producers can reach markets, which helps bring down transportation costs. Lower costs mean that peasants can sell their products at better prices and will bring new producers to the markets. This will help diversify commercialization mechanisms, reduce the power of intermediaries, facilitate temporary migrations and provide rural families with increasingly higher levels of access to basic services in the sectors of education (in particularly secondary and higher education) and health (Francke & Iguiñiz, 2006).

Sustainable development strategies are associated with the concept of Corporate Social Responsibility. According to Penny, and as mentioned by Arbaiza (2008), companies must make a commitment to the communities that translates into actions. They must provide support for the poor and remote communities while striving to build a better future by contributing to health and environmental protection and ensuring social development through a series of activities, which should focus on providing opportunities to the least fortunate. Efforts to increase the quantity and/or quality of human capital by investing in human resources (inside and outside the company) fulfill the aforementioned requirements. The social fund can help achieve some of these objectives.

In terms of poverty reduction, the Social fund has played an important role in supporting improvements in social and economic structures as well as processes to train human capital (Jorgensen & Domelen, 1999). In this sense, these funds have facilitated the decentralized execution of small projects in thousands of poor communities given that the resources are based on demand, utilize a participative focus and constitute a low-cost alternative that can be disbursed quickly (Tendler, 2000). Experts agree that one of the main impediments of spending execution is attributable to poor management capacities at the regional governments and beneficiary municipalities.

Accumulated experience shows that these funds constitute efficient mechanisms to control financing flows for local projects and alleviate poverty despite the fact that none of them have been capable of completely eradicating this scourge in the area of intervention. As a rule of thumb, the funds that have used more objective designs have been more successful. It is also important to mention that the funds have had a transitory impact given that in various cases, the emphasis has been on creating temporary jobs and not on promoting productive activity, creating permanent employment and generating income for the poor.

Social funds are clearly a complement to and not a substitute for sector policies and are incapable of satisfying the needs of poor communities. These funds should work with non-governmental organizations, communities and other development agents to contribute investments that are capable of fulfilling a broader objective or alleviating poverty.

In terms of institutional development, social funds have proven to be effective and innovative organizations that utilize transparent procedures to channel resources to the communities. A significant percentage of this efficacy is attributable to the fact that the funds are autonomous, which gives them freedom in terms of hiring and operating procedures (Banco Mundial, 2002).

The institutional development objectives of social fund projects have shifted from the central government to the local governments and communities. The impact at a local level has been positive and varies according to the charter of the social funds, commitment levels and the degree of responsibility delegated to local governments and communities (Banco Mundial, 2002).

Social funds tend to be more participative than other development projects but have the potential to improve even further in this regard. These funds, which can vary

considerably, stimulate the communities and generate confidence in the public sector and social capital (Jorgensen, 1999).

Social funds generally have two objectives: increase the poor's access to local services and infrastructure and make the communities more autonomous by allowing them to participate in selecting, executing, operating and maintaining development projects. Social funds have developed mechanisms to directly channel resources to community groups. Residents can assume responsibilities for certain activities, including community organization, work contributions, goods and services acquisition and other project management tasks. These funds have helped improve basic services (Parker, 2000).

Precise knowledge of the communities' characteristics is necessary in order to fine-tune development efforts at the institutional level. This constitutes an essential element to implement modern institutional management at the municipalities, whose main function is to provide services that improve the communities' quality of life. This information will help ensure that the communities' needs are met and will provide the bases to generate an information system for social development, which is a fundamental component of municipal management (Arbaiza, 2008). This will allow the municipalities to contribute at meetings with members of the social fund and will provide a knowledge base to prioritize projects.

Strategic Alliances: a development model

In a global scenario of socio-environmental deterioration, different initiatives have emerged to mitigate undesirable consequences. In the year 2000, 189 countries agreed to adhere to the millennium goals, which focus on reducing poverty and infant mortality, promoting equality, guaranteeing environmental sustainability, etc (United Nations, 2000). This has generated efforts to form alliances between different sectors of society (public sector, private sector, civil society organizations), who have proposed a number of projects or programs to fulfill the millennium objectives.

Experience has shown that public-private alliances guarantee more investment in less developed countries to promote the advancement of the poorest communities and respect for human rights. International cases such as the Alliance to promote education in Jordan (JEI), the global alliance for vaccines and immunization (GAVI) , which is a joint private-public effort that includes international organizations such as UNICEF, WHO, the World Bank, the Governments of Canada, Denmark, France, Ireland, Luxembourg, Holland, Norway, Sweden and Great Britain, and the NGO and research center (GAVI), Global Partnership to stop tuberculosis (STOPTB), Poverty-Environment Partnership (PEP), the Global Water Partnership and Growing Sustainable Business (UNDP) have used a new working model that consider strategic competencies and innovative solutions and act as an additional source of financial, technical and knowledge resources for governments. These efforts also provide technical assistance and additional financing to civil society, with the collaboration of the private sector, to ensure access to new contracts and develop new products and services (Casado, 2007).

Nevertheless, when establishing alliances it is necessary to develop common objectives, determine each partner's benefits and establish a scheme to equitably distribute

decision making powers. When the alliance is formalized, a number of obstacles tend to arise. In this regard, Tennyson (2003) indicates that the public in general tends to be somewhat skeptical. The institutions and individuals that direct these efforts often suffer from limitations and each sector tends to harbor negative perceptions. It seems that concept of an alliance is not well understood and many are unsure when alliances should be established, utilized, managed or evaluated (United Nations, 2005). As such, alliances must be managed well and should not lose sight of the primary reason for which they were established if they are to become relevant tools for social development (Casado, 2007).

This paper's specific purpose is to analyze the distribution of the Mining Fund to fulfill the objectives of sustainable development strategies, reduce poverty and ensure institutional development, all of which are integral to social development's prime objective. Our model integrates the strategies that are most frequently used by the mining fund and studies the need to validate or legitimate alliances through the five types documented by Dacin et. al (2007). Finally, this model facilitates a constant monitoring of each partner's needs, objectives, benefits and resources and helps identify which strategy each prefers.

Table 1 shows that the Mining Social Fund covers sustainable development, poverty reduction and institutional development.

The Sustainable Development strategy (Chart 1) defines the ecological, economic and social projects and programs that will be set up to ensure harmonious relations with surrounding communities. In this strategy the government, through its state development plan, works with civil society and private companies. In this context, sustainable development projects favor the formation of strategic alliances between the aforementioned actors given that each will have its own reasons for developing ties to fulfill specific legitimacy needs. This strategy is complemented by the five perspectives of legitimacy sought by organizations.

In the first kind of legitimacy (market) (Table 1), the institution aspires to achieve more market presence through an enhanced reputation. As such, the source of legitimacy stems from the partner's legitimacy in the market. In this scenario, the benefits include market entry or continued presence in this market and the target audience is the government or the clients. It is important to mention cases such as the Barrick Misquichilca Mining Company, which uses some of its resources to fund sustainable development projects for communities located in Cushuro, Chuyugal and Corral Grande in the Libertad region. The company has also formed strategic alliances to ensure its presence in the international market, which constitutes a search to achieve market legitimacy. Barrick has earned social legitimacy because the local communities see it as a socially responsible company.

TABLE 1
Legitimacy of Strategic Alliances

market legitimacy ***definition*:** analysis to conduct business in a specific market ***characteristics of the environment and the business for legitimacy(driving-need):*** government support or backing, more presence in the market, reputation ***motivation to establish an alliance*:** increase legitimacy in a geographic sector ***source of legitimacy*:** take advantage of the legitimacy that the partner already has in the market ***objective:*** government or clients ***benefits:*** market entry or continued presence in this market	**relational legitimacy** ***definition*:** value of forming a partnership ***characteristics of the environment and the business for legitimacy (driving-need):*** history of alliances in the organization ***motivation*:** increase legitimacy as a good partner ***source of legitimacy*:** the relation established with the partner ***objective:*** potential ties ***benefits*:** new ties are developed
social legitimacy ***definition:*** the organization's ability to conform to social rules and expectations ***characteristics of the environment and the company for legitimacy (driving-need):*** social image, complies with social norms and social responsibility ***motivation:*** increase of legitimacy as a socially responsible business ***source of legitimacy*:** the partner's social image ***objective*:** local communities ***benefits*:** image of a socially responsible business	**investment legitimacy** **definition:** value of commercial activity **characteristics of the environment and the company's need for legitimacy (driving-need):** need to invest and increase resources **motivation:** increase the legitimacy of the business's activity **source of legitimacy:** partner's support and confidence in business activity **objective:** investors and directors from other companies **benefits:** internal support for business activity
alliance legitimacy ***definition:*** validity of strategic alliances ***characteristics of the environment and the company's need for legitimacy (driving-need):*** acceptance of a market alliance ***motivation:*** use of alliances ***source of legitimacy:*** partner's social image ***objective:*** other organizations and partners ***benefits:*** social and market acceptance	

FIGURE 1

Development Strategy

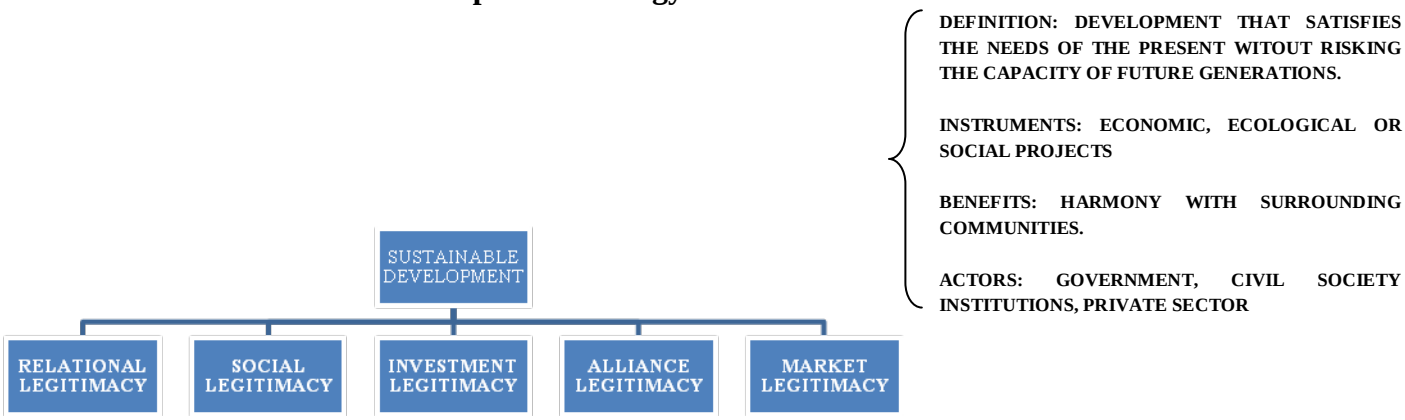


FIGURE 3

Institutional Strategy

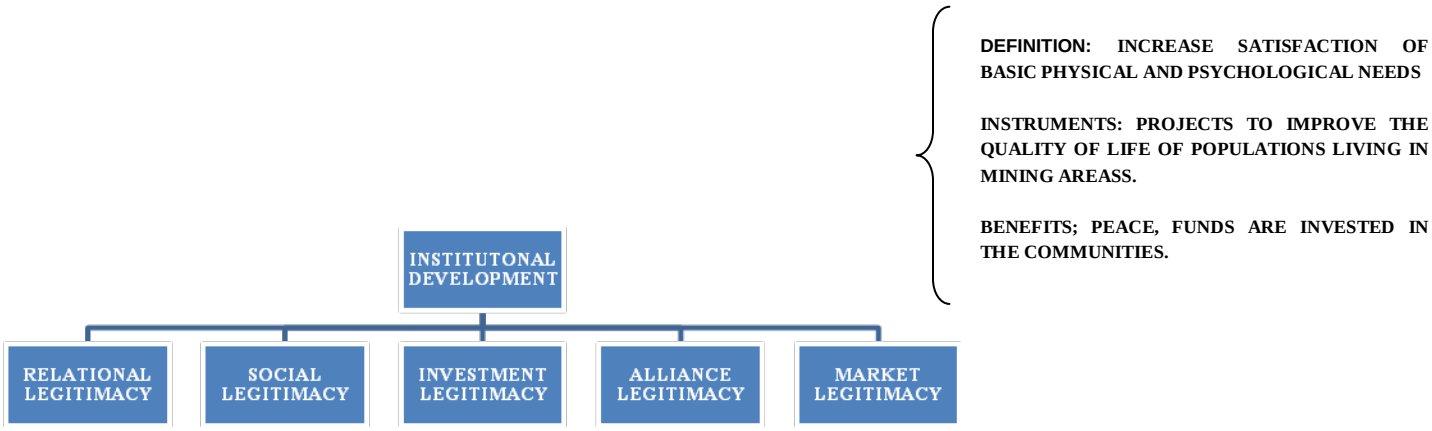
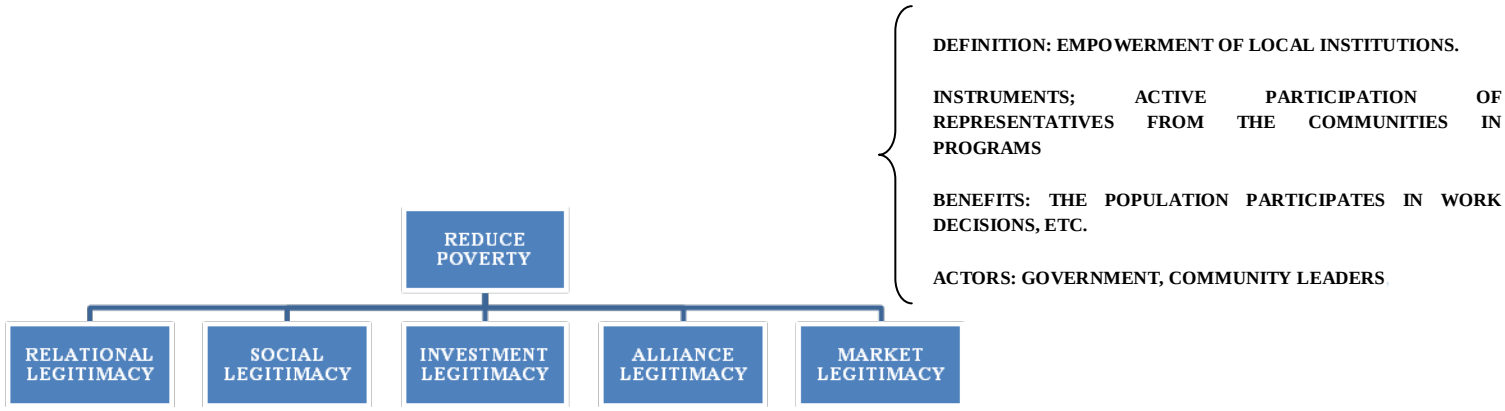


FIGURE 2

Strategy to Reduce Poverty



The second type of legitimacy (relational) focuses on the value of forming alliances. The source of legitimacy in this case is derived from the relation established with the partner and the goal is to form ties in the future. The need drivers are associated with the company's history of alliances. In terms of the environment, this kind of legitimacy is driven by the competition to associate with attractive partners. The motivation is to increase the company's credibility or validity as a good partner. Alliances between companies, like the one established between the American mining company Newmont, the Peruvian mining group Buenaventura and the International Finance Corporation, haven proven that these kinds of ties are valuable. In this case, Buenaventura Peru is one of the strongest mining groups in the country and has a long history of alliances with other entities. In Peru, this alliance is exercised through Yanacocha. The company has achieved market legitimacy by maintaining a solid reputation and has secured the approval of both the government and clients. Yanacocha has also gained social legitimacy in the local communities because it engages in social responsibility activities. As such, the alliance between Newmont and Buenaventura generates benefits for both companies. Newmont has access to a mineral deposit with very low production costs (US$ 104 per ounce), which helps it offset the costs of its operations in the United States (US$ 210), in Eastern Europe (US$ 225) and Indonesia (US$ 224). Yanacocha is, after Carlin Trend, Newmont's second largest operating unit with 811.400 ounces of gold –of which it has the right to 416.654 ounces. Yanacocha allows Newmont to maintain its position as a leader in the gold industry. The strategic alliance that it has made with a Peruvian mining company reduces its investment risk and gives it access to Peruvian political circles. Finally, Yanacocha allows Newmont to apply its geological and mining expertise to minimize the risks inherent to all mining operations.

Buenaventura was the first group to develop a large-scale mining project in the country. Yanacocha represents a learning experience as well as a technological transfer for hydrometallurgical treatment of minerals. It has also fueled expansion in other companies in the group.

In terms of the third type of legitimacy, social legitimacy, a harmonious relationship is sought between the institution and organization and social expectations and norms. In this sense, the partner's social image in the communities where activities take place is fundamental. The organizations that form this kind of alliance include the mining companies Yanacocha, Barrick, Xstrata, Antamina, Poderosa, Marcobre, etc. Each of these companies has other kinds of credibility and is considered a promoter of sustainable development.

The table shows that investment legitimacy enhances the credibility of the company's business activities. In this scenario, partners need to invest or increase resources. This legitimacy is based on the partner's support and the solidness of its commercial activities.

Finally, legitimacy can be derived from strategic alliances. Its target audiences are organizations in general. The benefit is the alliance's social acceptance (table 1).

Chart 2 shows the strategy to reduce strategy, which contemplates social responsibility projects to reduce social conflicts and improve the quality of life of

communities living in mining areas. The way in which the Mining Fund is distributed generates alliances between the mining companies, the state, local governments and the NGOs. These alliances also satisfy different needs for legitimacy as indicated in the sustainable development strategy.

Finally, the last way that the Mining Social Fund is distributed aims to contribute to the institutional development (chart 3). In this case, projects are undertaken to empower local institutions and the communities participate in local activities. Eventually, alliances are formed between community leaders, companies, the state and NGOs.

I believe that in the case of large-scale mining interests in Peru, this model will constitute a fundamental contribution given that it will be possible to determine the number of alliances established and also analyze the legitimacy sought through each alliance. This is a relevant strategy to manage resources from the Mining Social Fund as it will be possible to efficiently monitor each strategic alliance or generate alliances that benefit the country.

The private sector has enormous potential to generate growth by providing a fund that ensures the active participation of the state and other social actors. Mining in Peru will constitute an important source of development if and only if it is managed through strategic alliances and contributes to sustainable development and poverty reduction.

These alliances will help ensure that the mining fund is used to execute development projects that are in harmony with the communities and the environment. This will help improve the quality of life in the communities, reduce the number of conflicts that emerge due to mining investment and strengthen local institutions by developing alliances with area representatives.

Finally, this model proposes a crossover between legitimacy types to benefit a specific development strategy. This, as Baum & Oliver (1991) contend, will ensure that organizations acquire a better reputation, access to more markets and improve their social image/ performance.

Conclusions

Poverty levels have risen and it has become necessary to develop programs to drive development in the country's poorest communities. The Mining Fund is an important strategic tool in efforts to contribute to sustainable development and drive institutional development.

The three ways discussed to distribute the Mining Social Fund generate strategic alliances that fuel development programs. Nevertheless, if these alliances are to be managed effectively, it is important engage in a legitimation or validation process in the market. This is why I have proposed an integrated model that helps ensure that the social fund performs effectively. This model assumes that the fund is designed to favor the aforementioned strategies and the alliances generated will require the five legitimacy types. Finally, this model contributes to improving the Mining Fund's management and opens up new perspectives to apply this model to other ambits of growth.

Social funds were created in response to the fiscal and political crisis in Latin America. They are now considered important tools in efforts to reduce poverty and unemployment. Social funds facilitate the process to execute small projects in poor communities because they are low cost alternatives that disburse cash resources quickly.

In Peru, recently created funds for private investment projects are run by private legal entities that are responsible for project approval, management and cash disbursements. These funds require the participation of representatives from the communities, districts, provinces and region in which the projects take place. For this reason, social funds are more agile in terms of project approval and execution. This is due to the fact that they are not subject to public administration systems and instead are bound by clear and precise norms for accountability that leave no doubt that resources are being managed adequately.

Many bibliographic references emphasize the transitory nature of poverty reduction efforts. In terms of Peru, we believe that projects to combat malnutrition and improve education and health have the potential to be highly successful if they provide the community with technical training relative to production and capacity development.

The approach described above will contribute to economic development and the creation of social networks that enhance the communities' quality of life. If social funds are successfully implemented, we should never again hear the complaint that the "only things that mining brings to the community are poverty and poor health because of contamination."

Peru began to pass new environmental legislation in the 1990s. These new laws focus on protecting the environment and utilize primarily international standards, particularly with regard to large and medium mining projects.

The participation of community representatives, district and provincial mayors, and regional leaders will ensure that projects truly benefit all concerned. This multi-pronged participative approach allows people to feel that they have a voice in the decision making process. In this way, the poor will no longer be considered the "silent masses."

Communities will also benefit from training programs to strengthen their skills and make the most of the competitive advantages that mining interests create in specific locations, which tend to be situated in remote areas of the Peruvian highlands. Emphasis is placed on developing microbusinesses that have a "sure" market that is backed by access to highways, water, sanitation and electricity.

We are in complete agreement with the concept of "social building up," which is based on the idea that the poor are not "social invalids." In fact, they have dignity, aspirations and the potential to overcome poverty if they are given the chance. We believe that social funds constitute a means through which to achieve this end.

Projects to build and maintain rural roads should be included in sustainable development efforts. These roads will connect rural producers with the markets, which will

subsequently reduce transportation costs. In this scenario, community members will receive better prices for their products. Additionally, new producers will be able to enter the market, facilitating temporary migration that helps generate seasonal resources and ensure that rural families will have more access to basic services such as education.

As a corollary, we can say that social funds help generate sustainable development in poor communities within the areas of influence of mining projects. This is possible because these funds are structured to respect both physical and social environments. Poverty will decrease as the result of an increase in education, health and work. In this scenario, people will be better trained and motivated by positive changes in their living conditions, resulting in an increase in microbusiness endeavors.

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