



Executive summary

REALITIES AND EXPECTATIONS OF ASM IN PERU

A qualitative analysis of the Artisanal and Small-scale Mining sector in Peru centered on the voices and perspectives of miners and stakeholders

Solidaridad's REVALORO project seeks to promote a formal and responsible artisanal and small-scale mining (ASM) sector, with opportunities for Peruvian ASM workers to have decent livelihoods and conditions.

ASM is an important driver of employment in rural areas of Peru, which provides livelihoods for up to 500,000 people. It is estimated that 20% of the country's gold production comes from ASM, which reveals the sector's potential to contribute to development of local, regional, and national economies.

ASM activity mostly occurs in areas with high levels of poverty, given the low educational requirements and low barriers to entry. This activity, which is often at a subsistence level, faces a diversity of problems, such as negative

environmental impacts, social conflicts, and precarious labor conditions. These problems will need to be confronted directly by diverse sectors of society; it cannot be assumed that they will disappear on their own.

How can ASM's potential as a driver of rural development be unleashed? A concrete first step is to understand and confront the problems associated with the sector.

In this document, we present the principal findings of the baseline study created for the REVALORO project. REVALORO seeks to improve the participation of the men and women of ASM in the formulation and implementation of public and private sector policies conducive to responsible development of the sector.

Metodología

Faced with the challenge of tackling such a complex problem, the study focused on three key groups of actors: the public sector, the private sector, and civil society organizations. The qualitative analysis drew from 19 interviews with government, civil society, private sector, and ASM leaders. It also incorporated material from interviews, focus groups and meetings conducted by Solidaridad staff, which included participation from:



25

**ASM
leaders**



36

**women
miners**



67

**officials from national
and regional governments**

Finally, the study drew on secondary and academic sources.



Principal findings



Formalization

The first step that should be taken to unlock the potential of ASM is formalization. But there are logistical, bureaucratic, and technical challenges to confront – as a consequence, of about 90,000 miners in the formalization process, by the start of 2022 only 10,000 had completed formalization.

The Law for Formalization and Promotion of Small and Artisanal Mining (Law 27651), known as the “ordinary” formalization process, establishes that artisanal and small-scale miners must follow the same requirements as medium- and large-scale mining companies (MSM / LSM), which is not viable for ASM given the complexity of the rules. Something similar occurs in the “extraordinary” formalization process (Decree 1293). Although it offers a simplified pathway, in practice it is still complicated for artisanal miners who lack the capacity and resources to navigate it themselves and struggle to find competent professional help for formalization at a reasonable cost.



Another consideration are the Regional Directorates of Energy and Mines (DREM, for the initials in Spanish), which are key actors designated to lead the formalization process in each region. They do not have sufficient budgets or adequate staffing, particularly given frequent turnover and insufficient training. Furthermore, the transition to digital forms and permits does not take into account the digital divide and poor connectivity in remote mining zones.

In the case of women miners, formalization challenges are distinct. Pallaqueo, which roughly translates as “gleaning,” is a mining activity almost exclusively practiced by women, which is not even recognized as a form of mining in the official norms. This lack of recognition bars most pallaqueras from any pathway to formalization.

Another set of barriers to formalization are related to titling and obtaining surface and subsurface rights. The current model requires that miners hold the title to their own mining concession or have an exploitation contract with the title holder. Presently, fewer than 10% of miners in the formalization process are concession title holders.

Additional challenges arise from the negative perceptions and limited motivation of many ASM miners, which leads them to not initiate or not complete the formalization process. They believe the costs of the formalization process are high and the benefits are unclear or limited, whether from the state or private sector (for example, from financial institutions).



Working Conditions

The precarity of ASM employment creates insecurity for miners' families. When accidents cause missed work, often these families have no other sources of income. Very few artisanal miners have employment contracts or benefits like health insurance or retirement plans.

What makes ASM employment so precarious?

ASM operations are unpredictable. This pushes operators to demand labor flexibility and ability to downsize operations

- quickly to stay in business.

Some activities are incompatible with standard contracting and benefits models, such as *cachorro* and *pallaqueo*, which do not align with conventional employment models promoted by Peru's labor laws.

Due to the informality of the sector, there are few reliable statistics about ASM, though there is consensus that health and safety conditions are poor. ASM operators and laborers have become accustomed to unhealthy and unsafe conditions. Many have come to accept these conditions as normal, while others are unwilling to speak out for fear of losing their jobs. In other cases, it is difficult for miners with little training to recognize unsafe practices.



Economic Aspects

Another pathway to promote decent working conditions and incomes is to improve the productivity and profitability of ASM operations. However, ASM has serious difficulties accessing the formal financial sector, which pushes many to seek financing from black market sources, with the attendant legal risks and inflated interest rates and arbitrary conditions.

This raises an important dilemma: without access to capital, ASM work remains dangerous and has low productivity, which in turn keeps financial institutions unwilling to take a risk on the sector.

The same thing occurs in the business ecosystems where ASM operates – formal companies that supply the mining industry prefer not to be associated with ASM, which forces artisanal miners to buy essential supplies like explosives and fuel on the black market.

The informal business ecosystem in which ASM operates also impedes taking advantage of tax benefits which MSM and LSM companies are able to claim. Securing reliable supply chains and formal mechanisms for ASM to purchase inputs legally could improve the profitability of the sector and weaken links with the black market.

Access to fair and reliable markets is a basic requirement for ASM operations to be profitable and sustainable, but

commercialization is precisely one of the biggest problems identified by artisanal miners. The negotiating power of miners diminishes when they have not completed the formalization process, leaving them unable to negotiate fair prices from formal buyers. This situation is particularly harmful for *pallaqueras*.

Other factors that negatively impact miners' access to fair prices and hinder improvements in their livelihoods include limited access to complete and timely information about market prices (in comparison to buyers) and the presence of predatory middlemen and suppliers to ASM operations. In many cases, miners' need for immediate payment leads them to sacrifice the better prices and conditions that would be offered on the formal market.

Models of coexistence between ASM and MSM / LSM companies have potential to create economic, environmental, and social benefits, but there are also important barriers to adoption for mining companies, further complicated by the state's shifting and unclear positions. The difficulty of demonstrating traceability in ASM production is a key barrier keeping companies from integrating ASM in their value chains.

In the same vein, despite positive results in some cases, certification programs for responsible gold are often unattainable for miners. Under current conditions it is extremely difficult for miners to comply with the ethical, environmental, and labor standards in their production and supply chains to be able to access these premium markets.



Miner organizations, dialogues, and dynamics in the civic arena

Artisanal miners feel that the state only scrutinizes, represses, and punishes them instead of promoting concrete incentives for formalization or other benefits. This negative perception has grown due to the state's inability to propose solutions, caused by the frequent turnover of officials and limited state presence in artisanal mining zones.

From the state's perspective, they find it difficult to maintain constructive dialogue with ASM representatives, given the instability and frequent splits within the miners' organizations, the high number of organizations that exist, and the lack of organization among diverse interests.

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THE STUDY**

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There are numerous challenges and opportunities around ASM in Peru, which should be addressed by all the actors involved: the state, private sector, artisanal miners, including their organizations and associations, and civil society.

Solidaridad and the REVALORO project promote participation of the men and women of ASM in dialogues and multi-actor working spaces to promote public and private policies and business models that contribute to a more inclusive and responsible ASM.



Learn more about the REVALORO project here
www.solidaridadsouthamerica.org/publications/proyecto-revaloro

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