

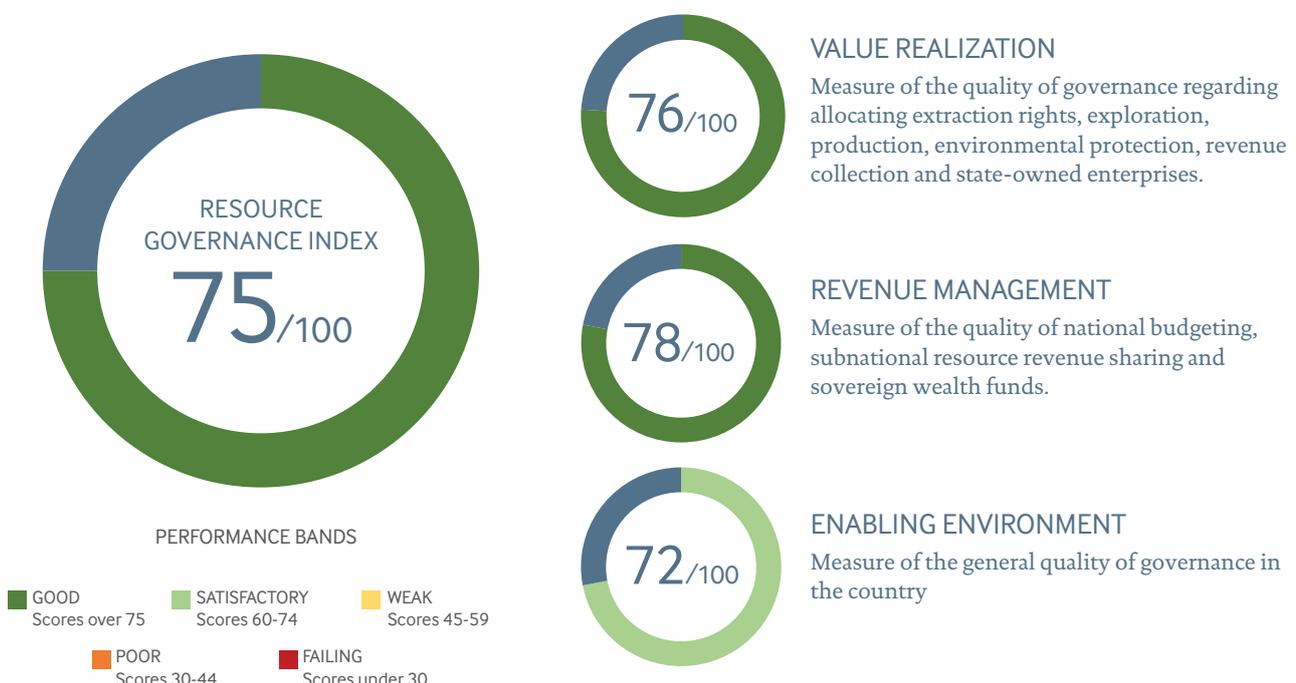
2021 Resource Governance Index Peru



Peru’s mining sector scored 75 out of 100 points in the 2021 Resource Governance Index (RGI), improving its performance by 13 points since the 2017 RGI. This increase was driven by improved governance of all three of the components, with both value realization and revenue management moving into the “good” performance band in the 2021 RGI. The revenue management component showed the largest improvements, with a 21-point increase driven by the improved quality of the Ministry of Energy and Mines (MINEM) online information portal, which publicly discloses reserves, production and exports in the Peruvian mining sector. Nonetheless, key areas for improvement remain. The sector lacks laws governing the pre-licensing process, with no obligations requiring the licensing authority to set minimum pre-defined participation criteria. Additionally, issues remain regarding compliance with social and environmental obligations, especially on the rehabilitation and closure of extractive projects.

- Peru’s mining sector governance improved due to greater transparency related to the government’s disclosures of information on resource reserves, production and revenues .
- The Peruvian government, and the Ministry of Energy and Mines could improve mining sector transparency by disclosing information on tax and royalty payments, disaggregating disclosures down to the company or project level, and providing information about beneficial owners of mining companies.
- A major challenge to Peru’s resource governance continues to be the lack of laws relating to the resettlement of communities due to mining projects, and the lack of adherence to procedures governing the closure and rehabilitation of extractive operations.
- While the implementation gap between the established legal framework and its enforcement is only 3 points in the 2021 RGI, the 21-point difference between laws and practice in the local impact subcomponent highlights challenges.

Peru mining: 2021 Resource Governance Index and component scores



2021 Resource Governance Index

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

Greater transparency and access to public sector information drives Peru's 2021 RGI score improvements

Peru is the [world's second-largest copper producer](#), with significant production of gold, silver and zinc. The metals and mining sector accounted for [62.5 percent of Peru's](#) exports in the first quarter of 2021. Peru's mining sector stands at a crossroads. With reserves of a range of critical minerals, including lithium and manganese, the prospect of a new boom driven by the demands of the energy transition mean that Peru must ensure that foundations of strong resource governance are in place to enable benefits from resource revenues to spread across Peruvian society. Peru's government must ensure not to repeat past mistakes, especially relating to environmental and social impacts, and must uphold key standards.

Peru scored 75 points in the 2021 RGI, moving into the "good" performance band. Substantive improvements were observed in the national budgeting subcomponent, where Peru scored 99 points out of 100, registering a 29-point increase since the 2017 RGI. The score reflects the quality of the Ministry of Energy and Mines (MINEM) online data portal, as well as the web portal Mapa Inversiones Perú País Minero, which, since being established in 2020 makes additional information available in a user-friendly and accessible way. This is also reflected in the improved score in the open data subcomponent, which has increased to 79 points in the 2021 RGI.

Peru's 2017 RGI and 2021 RGI scores

	2017 RGI Score	2021 RGI Score	Trend
RGI COMPOSITE SCORE	62	75	13
VALUE REALIZATION	68	76	8
Licensing	59	64	5
Taxation	64	86	22
Local impact	82	79	-3
State-owned enterprises	.	.	.
REVENUE MANAGEMENT	57	78	21
National budgeting	70	99	29
Subnational resource revenue sharing	31	62	31
Sovereign wealth funds	69	73	4
ENABLING ENVIRONMENT	62	72	10
Voice and accountability	80	82	2
Government effectiveness	59	70	11
Regulatory quality	85	89	4
Rule of law	57	56	-1
Control of corruption	56	58	2
Political stability and absence of violence	55	69	14
Open data	39	79	40
LAW	64	80	16
PRACTICE	65	77	12
GAP (PRACTICE LESS LAW)	1	-3	-4

While Peru's enabling environment improved by 10 points in the 2021 RGI and now places firmly within the satisfactory performance band, the weak scores in rule of law and control of corruption subcomponents present issues. Resource governance can only thrive if embedded in strong overall governance systems, and Peru must work to ensure the rule of law is respected, and corruption mitigated to allow the benefits from the mining sector to flow to Peru's citizens.

VALUE REALIZATION

Issues remain with laws and disclosures of beneficial ownership information and disaggregation of tax and royalty payments

In the value realization component, Peru's mining sector scored 76 points, an increase of 8 points compared to the 2017 RGI. One key improvement was greater transparency relating to public officials' disclosures of assets held in mining companies. The central government's Emergency Decree No. 020-2019 requires public officials to submit a sworn asset disclosure, obliging them to disclose information on public or private entities in which they hold equity, both in Peru and abroad. However there remains a broader issue regarding the beneficial owners of mining companies, where there has been no progress since the 2017 RGI. The government must establish laws requiring the disclosure of beneficial ownership information, to improve transparency of the sector and meet the country's commitments to the Extractive Industries Transparency Initiative (EITI), of which Peru has been a member since 2012.

To improve resource governance, the government of Peru also needs to ensure the publication of disaggregated data on tax and royalty payments by companies to the Peruvian government. The National Superintendency of Customs and Tax Administration (SUNAT) publishes aggregate information on the payment of taxes and royalties for the entire sector in its periodical [Nota Tributaria](#). However, these payments should be disaggregated by company, and preferably by project. This information is very relevant when it comes to analyzing the sector's contribution to both the national and subnational economy, since 50 percent of the corporate income tax is transferred to regional governments and municipalities in resource-producing areas. Disaggregated payments information would enable the citizens and subnational governments to estimate the resources to be included in fiscal budgets for the following year.

An example of the kind of analysis that can be carried out with this information was published by Grupo Propuesta Ciudadana using data from six mining companies whose payment information is available as they are listed on the Lima Stock Exchange. Peru's EITI membership also requires the Peruvian government to disclose disaggregated payments data, but so far that information is only available for 2016, and no more recent disclosures are available.

Peru obtains a poor score in the pre-licensing process. In questions related to the rules and practices on pre-licensing rounds ("concessions" in Peru), the country obtained 0 points, as it did in the 2017 RGI. In Peru, mining licenses are granted by way of an administrative procedure, but the government does not publish the criteria which companies must meet in order to participate in licensing rounds. Therefore, there are no prerequisites besides the requirement that companies present the petitioner's basic identity information, and the requested area's coordinates. The Peruvian licensing authority must publish firm pre-licensing criteria to ensure that companies with a record of non-compliance in other countries, or without the ability to operate in the relevant geological conditions, are screened against technical and financial criteria.

Peru could learn from the experience of Colombia. The National Mining Agency has begun to implement "[mining rounds](#)" in areas with high mining potential called "[strategic mining areas](#)." To access these areas, companies must meet both technical and financial minimum requirements in order to submit offers. The agency conducts a bidding process before it awards any contracts.

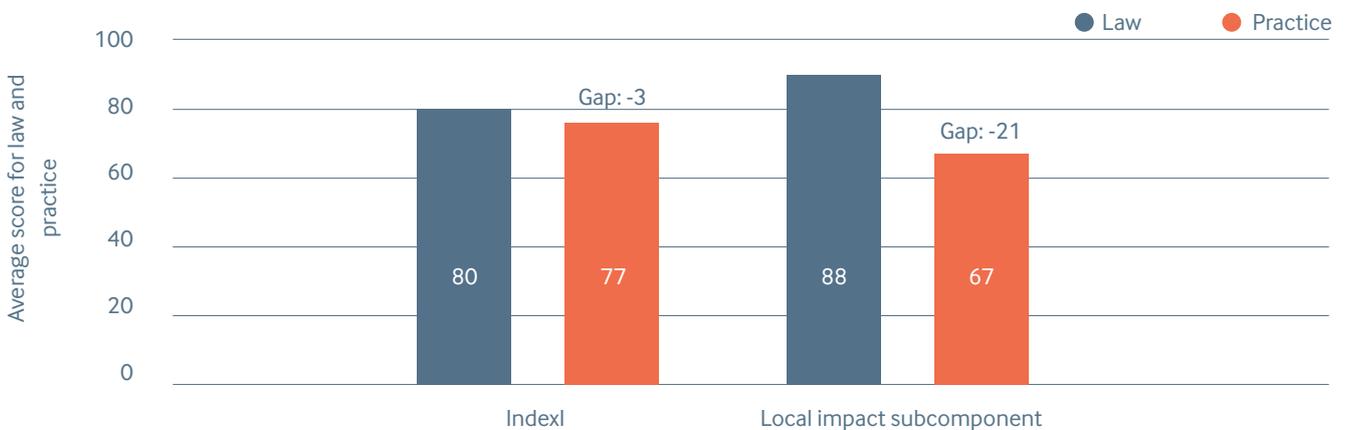
2021 Resource Governance Index

LAW AND PRACTICE SCORES

The implementation gap and the weaknesses in the execution of the environmental and social regulatory framework warrants attention

The implementation gap is the difference between the quality of a regulatory framework (where one exists) and the enforcement of the regulations. While the average implementation gap for Peru is small (3 points), the gap between laws governing local impacts of mining and their enforcement is notable.

Peru's 2021 RGI law and practice scores



Although the local impact subcomponent classifies as satisfactory given improvements in recent decades of legal requirements on environmental protection, the implementation gap between established laws and enforcement is 21 points. Regarding compliance with mine closure measures, a legal framework exists, but it has not been adequately enforced by the government's supervisory body. Additionally, the absence of a regulatory framework for the resettlement of communities affected by mining projects remains a significant governance problem in Peru's mining sector.

RECOMMENDATIONS



In a context of political uncertainty given recent presidential elections and the ongoing impact of the coronavirus pandemic, improving the mining sector's governance should be a key topic of debate in Peru. In this context, NRGi makes the following recommendations:

- **The Peruvian government** should approve a legal framework relating to environmental and social protection to regulate the resettlement of populations adversely affected by the mining sector. It should also strengthen the production and publication of information regarding procedures that govern the rehabilitation and closure of mines.
- **The Peruvian government and Ministry of Mines** should publish updated tax and royalty payments disaggregated by company or project, as well as information on the companies' beneficial owners. Law must also be passed mandating beneficial ownership disclosures in the extractive sector, to improve transparency and prevent conflicts of interest.
- **The Peruvian government** should implement prerequisites in the pre-licensing process and consider adapting the Colombian model of mining rounds in strategic mining areas.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions. Independent researchers, overseen by NRGi, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.