

# ASGM in the time of COVID-19

## How to reactivate artisanal and small-scale gold mining in Peru?

In recent months, the global economy has been paralyzed by a pandemic. **COVID-19 has impacted the different sectors of the national economy, deeply affecting the informal sector.** According to the International Labor Organization (ILO), in Latin America and the Caribbean the informality rate is 53% (140 million workers) and in Peru, according to the National Statistics Institute (INEI), informality is 72% (12.5 million workers).

This document focuses on the artisanal and small-scale gold mining (ASGM) sector in Peru, providing an analysis of the effects of the pandemic and proposing some measures to facilitate its reactivation and formalization process.



Small-scale miner in Puno (Peru) during the panning process to extract gold

### Effects of COVID-19 on ASGM in Peru

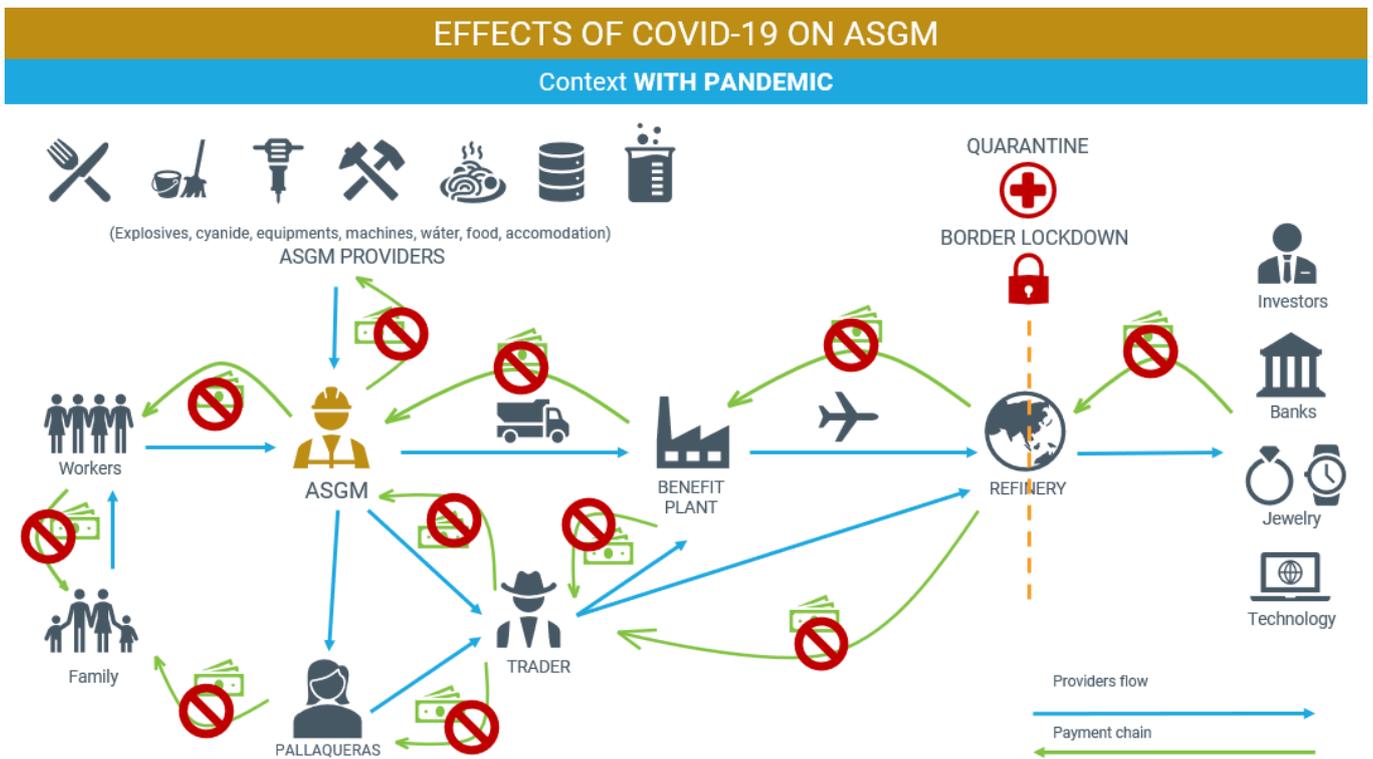
The cessation of artisanal mining activities has affected more than 1 million Peruvian families, who subsist directly and indirectly from ASGM. Table 1 shows the estimate of the sector's participation in the Economically Active Population (EAP) in the main gold mining areas of artisanal mining in Peru. Madre de Dios region concentrates the largest participation with 74% of workers; the regions of Arequipa, Ayacucho, and Apurímac follow it with 25% on average; while Puno and Piura present 8% and 2% respectively.

REGION	EAP	EAP ASGM	% PARTICIPATION
Arequipa	821,600	166,054	23%
Ayacucho	380,900	93,646	25%
Puno	821,600	83,790	10%
Apurímac	267,900	77,728	29%
La Libertad	1,033,300	69,398	7%
Madre de Dios	87,300	64,932	74%
Piura	974,700	19,586	2%

**Table 1. Source: INEI, MINEM. Elaboration: planetGOLD Peru**

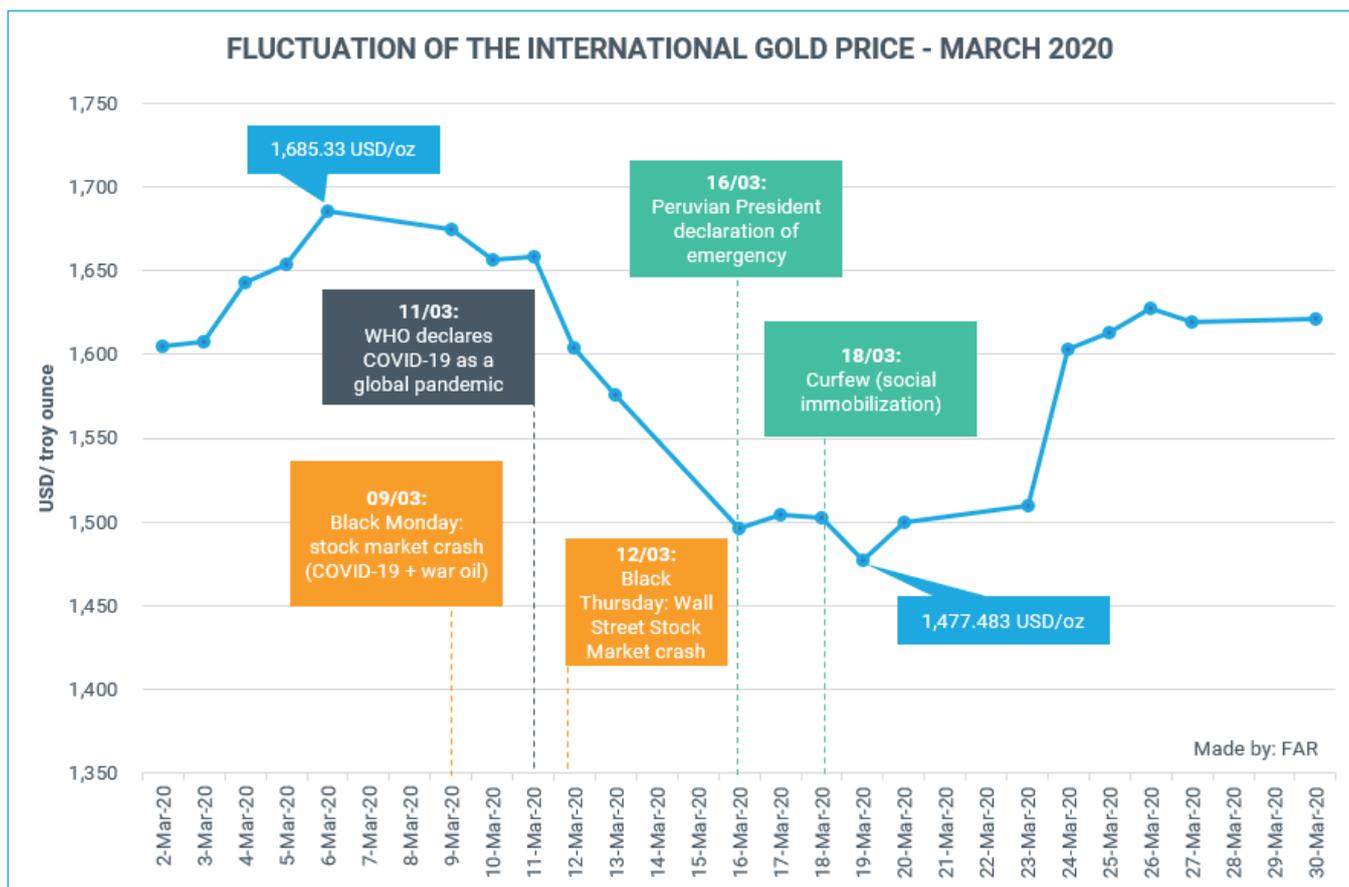
It should be mentioned that the EAP of Peru is made up of 17.4 million people (INEI 2017), with the urban population being 78% (13.5 million) and the rural population 22% (3.19 million). In this framework, ASGM is considered as part of this rural EAP and is characterized as informal.

Graph 1 shows how the payment chain of the ASGM sector has been affected due to the pandemic, from the largest to the smallest; the closing of borders and quarantine restricts the extraction and trade of gold. On the other hand, the artisanal miner has a limited cash flow, since he lives in debt and always with the hope that in the following campaign, he can “give the blow”, when he finds a deposit with high grade. Consequently, a small-scale miner can survive without working for the duration of a typical campaign, usually from 15 to 20 days, in which she will be able to live off the profits of the previous work.



**Graph 1. ASGM payment chain. Elaboration: planetGOLD Peru**

Currently, the price of gold is fluctuating, but it is still maintaining a good price in international market. However, the current health emergency has been crushing gold prices locally, generating excess volume that cannot be sold; and if there is a sales opportunity, this is done at a low price. That is the case for Pedro Fuentes, an artisanal miner from Madre de Dios who sold his gold for 90 soles (27 USD) per gram, representing a discount of more than 50% of the international price.



Graph 2. Fluctuation of the gold price during March 2020

Among the effects of this pandemic on the ASGM sector, the following stand out: **the impact on the chain of payments** that generates a domino effect and damages miners, suppliers and *pallaqueras* (women who select minerals), among others; **the absence of formal buyers of ore**; **speculation of the price of gold** by the black market; **the health risk** of working clandestinely, despite the fact that there is a prohibition; **the shortage of inputs and indebtedness** with high interest rates.

Fortunately, the ASGM sector is very supportive of each other, not only in the exploitation work in the mine but also in facing natural disasters and more; but right now, it also needs government support. **The Ministry of Economy and Finance (MEF) of Peru has been taking measures to support micro, small and medium-sized enterprises (MSMEs)** - formalized ASGM operations are part of this group - subsidizing 35% of the salaries of employees who earn up to 1,500 soles (430 USD). In addition, the Ministry has authorized the withdrawal of up to 2,000 soles (580 USD) from the Pension Fund Administrators (PFA) for contributing workers and a bonus of 380 soles (110 USD) for vulnerable populations.

### Experiences and recommendations for the economic reactivation of ASGM

It is worth noting Chile's experience in adopting supportive measures for small copper and gold mining in the face of the COVID-19 health emergency. The National Mining Company (ENAMI) activated the Copper Price Stabilization Fund, in addition to the reprogramming of debts and the announcement of early settlements. Gold producers will also receive an advance of 50% of the settlement of their lot, plus an additional 25% after 12 days. Likewise, to avoid crowds, they decided to extend the renewal of the mining registry until April 30. The purchase and receipt of the mineral will continue operating normally, but with a reduction in personnel.

In this way, once the health emergency is lifted, the economic reactivation should also consider the ASGM sector, so we propose some recommendations:

- ▶ **Form an ASGM COVID-19 advisory group**, made up of experts from the public and private sectors and, above all, mining leaders, to analyze the situation of the ASGM sector, seeking to develop containment measures and proposals for the reactivation of the sector.
- ▶ **Through Mining Assets (a public Peruvian company) sign express agreements with new gold trading companies** that ensure the acquisition of ASGM at a fair price, with the supervision of the General Directorate for Mining Formalization (DGFM in Spanish) at the trading points. Likewise, in order to release the over-storage of gold produced by the pandemic, once and temporarily, the gold from the trading companies could be acquired by the Central Reserve Bank of Peru (BCRP), following the model of the government of Ecuador.
- ▶ **Directly supervise the beneficiation plants and gold trading points** so that they can collect gold ore at a market price, generating tax or mining incentives for those with good commercial behavior.
- ▶ **Facilitate the scope of the credit line of 30,000 million soles (8,700 million USD) for MSMEs**, approved by the BCRP and the MEF, that will be made viable through commercial banks for those **miners who have been formalized, as well as those miners who are in the process of formalization** and have presented their Environmental Management Instrument for Mining Formalization (IGAFOM); the financial entities must cross information with the Ministry of Energy and Mines (MINEM) at the time of the risk assessment.
- ▶ **The bonus of 380 soles (110 USD) could consider directly benefiting those who are part of the list of mineral sorters and natural persons**, known as *pallaqueras* and *cachorreros*, located in the Puno region; which include around 12 thousand people who are generally in a vulnerable condition.
- ▶ **Develop awareness campaigns on sanitary measures** for safe mining work without COVID-19. Virtual and face-to-face trainings can be carried out in coordination with the Regional Directorates for Energy and Mines and the Regional Directorates for Health.
- ▶ **Promote remote education**, verifying that the different communication channels can reach mining communities, so that the start of the school year in the area is not affected. Likewise, in the framework of support between the sectors of the State, collaborate with the national school feeding program Qaliwarma, so that it can benefit the student population.

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