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# Documentation of planetGOLD Peru ASGM Financial Inclusion Interventions

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## About the Authors

This report was authored by Cristian Arias and Kamila Gómez, from the Alliance for Responsible Mining (ARM) in the context of a consultancy led by The Impact Facility for Sustainable Mineral Communities (TIF) to document the finance models implemented by planetGOLD phase one countries in artisanal and small-scale gold mining (ASGM) communities, with a consideration of the gender aspects of the projects. Thank you to the planetGOLD country implementation teams for providing their input and sharing the resources relevant to the write-up of this report.



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## Abbreviations/Acronyms

<b>Abbreviation/Acronym</b>	<b>Definition</b>
<b>ASM</b>	Artisanal and Small-scale Mining
<b>ASGM</b>	Artisanal and Small-scale Gold Mining
<b>ATM</b>	Automated Teller Machine
<b>COOPAC</b>	Savings and Loan Cooperatives
<b>FEPCMAC</b>	The Peruvian Federation of Municipal Savings and Loan Associations
<b>MINAM</b>	Ministry of Environment
<b>MINEM</b>	Ministry of Energy and Mines
<b>REINFO</b>	Integral Mining Formalization Registry
<b>RUC</b>	Active Taxpayer Registry
<b>SBS</b>	Superintendency of Banking, Insurance and Pension Fund Administrators
<b>SME</b>	Small and medium-sized enterprises
<b>UNDP</b>	United Nations Development Programme

# 1. Executive Summary

This case study highlights the implementation of the Financial Inclusion Component, titled "Establishing of financing arrangements to provide loans for mercury-free processing equipment" by the planetGOLD Peru project, initiated in 2021. The project is executed by the Peruvian Government through the Ministry of Environment and the Ministry of Energy and Mines, with technical assistance provided by the United Nations Development Programme (UNDP).

Four financial mechanisms adapted to various Artisanal and Small-scale Mining (ASM) contexts were designed, and out of those, three were implemented in collaboration with local savings and loan banks. These mechanisms aimed to address performance disparities, production, gender, and specific needs within the ASM sector. The program offered guidance to the financial sector in defining evaluation criteria, terms, potential beneficiaries, payments, guarantees, and other relevant factors.

Success factors included a detailed analysis of the barriers faced by the mining sector, achieved through gathering information on both the supply and demand of financial products. This facilitated the subsequent development of appropriate assessment tools and practical methodologies essential for banking entities to understand the ASM sector. Capacity building within the framework laid the foundation for establishing strategic alliances between the project and savings and loan banks as well as civil society organizations. As of the end of February 2024, USD 237,000 in loans has been granted to ASM mining companies in Peru. Nevertheless, the project has encountered various challenges, such as unfavorable responses from some mining groups, disputes over interest rates, and internal coordination weaknesses within banking entities.

Nevertheless, the intervention and implementation of the project have demonstrated its suitability through the effective materialization of agreements with key actors in the country, contributing to the transformation of the ASM sector towards formality and access towards formal sources of financing.

## 1.0 Description of the Intervention

### 1.0.1 Background

In Peru, artisanal and small-scale gold mining accounts for 20% of the national gold production (150 tons), supporting approximately 300,000 individuals working in the country's 24 departments, according to data from the Ministry of Energy and Mines. Within the ASM sector, understanding the distinction between [formalized miners](#) and

those registered in the Registro Integral de Formalización Minera ([REINFO](#)) is crucial for grasping the regulatory framework and governmental measures aimed at regulating artisanal and small-scale mining activity in the country. As of January 2024, there are 1,983 formalized miners who have completed the procedures and requirements established by the legislation, operating legally and complying with environmental, social, and safety standards. REINFO includes miners in the process of formalization, with 18,648 are in "active" status, meaning they are progressing towards formalization, while 68,485 miners are "suspended" for failing to meet obligations and thus cannot carry out mining activities while under suspension. This approach aims to promote legality in the ASGM mining activity, ensuring responsible and sustainable practices for mining development in the country.

Financial inclusion is a fundamental aspect for transforming the ASM sector in at least three ways: 1) banking constitutes an essential part of the formalization of ASM; 2) access to various financial services can facilitate investment in working capital and the acquisition of equipment and machinery for the transformation of the sector's processing capacity, for example, eliminating or reducing harmful substances in mineral processing such as mercury<sup>1</sup> and; 3) protecting economic activity in formality through credit support and financial traceability.

However, the results of the UNDP study "Towards Financial Inclusion of ASM" in 2021 reflect a complex picture of the sector, where it is evident that there are a series of factors that limit access to financing for miners. First, there is an inefficient financial market that, although providing some services to the sector, does so in an indirect and unsustainable manner without adequately adapting to the contextualizes of ASM. Secondly, there is a high perception of risk due to an inadequate regulatory interpretation of what formalized mining implies, persistent informality in the sector, limited capacities of ASM institutions' personnel, and the remote location of ASM centers, which would limit placements, follow-up, and credit recovery. Thirdly, there is a low level of banking operations, where 87% of miners work with cash and only 13% work through the bank. Lastly, mining ownership is a relevant factor causing delays in the formalization process. It was identified that 21% of the respondents in the analysis are mining concession holders, 45% have no contract, 30% have an "exploitation contract," and 4% have an "assignment contract." This circumstance represents a constraint for the financial system, as it hinders efforts to demonstrate a sustainable cash flow over time and, thus, the creditworthiness of the miner. Therefore, the figures reveal that efforts must be made to promote greater formalization and articulation of financial services adapted to the sector's needs.

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<sup>1</sup> According to the baseline study conducted by planetGOLD Peru interviewing 636 people, 94% of respondents identified mercury as the predominant processing method. Available at: [https://www.planetgold.org/sites/default/files/Towards\\_financial\\_inclusion\\_for\\_ASM\\_summaryENG.pdf](https://www.planetgold.org/sites/default/files/Towards_financial_inclusion_for_ASM_summaryENG.pdf)

## 1.0.2 General Approach and Main Intervention Activities

The planetGOLD Peru project, executed by the Peruvian government through MINAM and MINEM, with technical assistance from the United Nations Development Program (UNDP) and funding from the Global Environment Facility (GEF), defined a roadmap for its activities, specifying the expected impacts of the financial inclusion of ASM in Peru. This roadmap materialized through the implementation of a component called "Establishment of financing agreements to grant loans for mercury-free processing equipment," being implemented in the regions of Piura, Puno and Arequipa.<sup>2</sup> Within this component, two main objectives were defined: the first aimed at creating and enhancing four existing financial products to facilitate credit access for ASM, and the second focused on building capacities within various mining groups to navigate the processes of seeking financial services from banking entities through financial education initiatives.

Between 2021 and 2022, the ASM Financial Access Plan was executed, encompassing the following actions: (1) Design of Financial Products with a Gender Approach, (2) Financial Education Program, (3) Training in Credit Risk Assessment and (4) Testing and Validation of Financial Products. Additionally, two collaboration agreements were established with microfinance institutions including Caja Rural Los Andes and Caja Municipal Ica, as well as with Cooperativa de Ahorro y Crédito San Miguel. Two new agreements were added with Cooperativa de Ahorro y Crédito COOPERA and with the mining company Inca One Metals Perú. Technical capacity strengthening efforts were undertaken with eight mining groups in Arequipa through a grant with the international organization Solidaridad, leading to a specific agreement with Caja Los Andes in November 2022 to promote financial inclusion in the ASM sector through a pilot financing program named "Crédito Minero Emprendedor." Subsequently, a grant agreement was signed with Solidaridad in March 2023, focused on promoting entrepreneurship and economic empowerment of women mineral selectors, known as "pallaqueras," and scaling up ASM financing operations through collaboration between Solidaridad, OREX, and Caja Los Andes.

Regarding the second objective of the component, various activities were implemented to provide training and technical assistance to miners in the three regions, covering the following topics: (1) Accounting and document management, (2) Review of the status and/or process of formalization, (3) Evaluation of their machinery inventory and (4) Development of mining plans. Furthermore, a "Financial Education Program" was conducted in the field between September and October 2022, targeting gold miners and hand pickers. This program is aimed at equipping participants with skills to pursue new investments or apply for credit and addressed personal and family finances, and organizational financial management. In 2023, the credit placement process commenced

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<sup>2</sup> The different characteristics of the Component can be found in Annex 1.

following the launch of products such as Mining Growth "Crece Minero"<sup>3</sup> and Credit Pallaquera Woman "Mujer Pallaquera"<sup>4</sup> by Caja Municipal Ica and the financing pilot Mining Entrepreneur Credit "Minero Emprendedor" by Caja Los Andes.

### 1.0.3 Target Areas and Target Groups

The planetGOLD Peru project identified the regions of Piura, Puno, and Arequipa as areas for implementing the financial inclusion component, where actions were carried out in nine population centers across three regions.<sup>5</sup> Additionally, due to the geographic coverage of financial partner Caja Municipal Ica, other regions such as Ica and Ayacucho were reached, demonstrating the scalability of ASM financing products.

To qualify as potential beneficiaries of the four types of financial products designed for ASM mining groups under the ASM Financial Access Plan, miners had to demonstrate compliance with criteria related to mining formality, environmental management, and tax structure. However, entities providing financing for ASM have set additional conditions for loan eligibility. Caja Municipal Ica requires potential clients to be formalized miners or in the process of formalization, registered in REINFO with status, possess an active taxpayer registry (RUC), be registered and linked to mining activity, and be at least 21 years old, among other standard requirements.<sup>6</sup>

In addition to the requirements established by Caja Municipal Ica, Caja Los Andes requests the submission of payment vouchers and bank account statements showing payments received for ore sales, proof of tax presentation and payment, an economic cost model, and an exploitation contract. Notably, the support and active participation of representatives from financial institutions such as Caja Ica, Caja Los Andes, Cooperativa San Miguel, and Financiera Confianza were crucial in the development of financial products. Finally, the segmentation outlined in the Study "Towards Financial Inclusion of ASM" (UNDP, 2021) regarding the operating capacity of potential loan beneficiaries is essential. It categorizes mining organizations as "early ASM" if they do not exceed 10 metric tons of exploitation per month, "growing ASM" if they exceed the 10-ton cap but do not exceed 100 metric tons extracted per month, and "consolidated ASM" if they exceed 100 metric tons exploited.

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<sup>3</sup> More information on the "Crece Minero" product:

UNDP. (2023, September). Mineros artesanales podrán acceder a créditos para la adquisición de tecnologías limpias. Available in Spanish at:

<https://www.undp.org/es/peru/noticias/mineros-artesanales-podran-acceder-creditos-para-la-adquisicion-de-tecnologias-limpias>

Caja Ica. Crédito Crece minero. Available in Spanish at:

<https://cajaica.pe/campanas/credito-crece-minero/>

<sup>4</sup> More information about the product "Mujer Pallaquera":

Caja Ica. Crédito Mujer pallaquera.

Available in Spanish at: <https://cajaica.pe/campanas/credito-mujer-pallaquera/>

<sup>5</sup> Annex 2 shows the regions, as well as the provinces, population centers, and mining centers where the Component will be applied.

<sup>6</sup> Standard requirements for loans under the microfinance approach: 1) Identity card, 2) Utility bills, (water, electricity, telephone) 3) Housing document (title deed, certificate of possession, bill of sale, testimony), 4) Spouse data, 5) Georeferenced photos of the home and business (mining operation) taken by the business advisor, and 6) Documents supporting ore sales.



## 1.0.4 Partners and Key Stakeholders

The construction and implementation of various financial mechanisms by the planetGOLD Peru project led to the identification of numerous stakeholder types, categorized into four primary interest groups or drivers of the financial inclusion component. Firstly, the mining sector, involving all actors directly engaged in the ASGM sector, is articulated, emphasizing their diverse roles ranging from production to commercialization. Secondly, public sector actors, particularly those responsible for regulating or formulating public policies for the ASM and financial sectors, are highlighted. The private sector encompasses all actors directly involved in the financial sector, including securities safekeeping companies and even certain investment funds or international experience initiatives with objectives aligned closely with the financial component of the program. Finally, civil society comprises entities such as foundations and mining sector associations.

<b>Mining sector ASM</b>	<b>Private sector</b>	<b>Public sector</b>	<b>Civil society</b>
<ul style="list-style-type: none"> <li>▪ Artisanal and small-scale miners.</li> <li>▪ Mining companies               <ul style="list-style-type: none"> <li>○ OREX</li> <li>○ National Association of Beneficiation Plants (ANPLABEN)</li> </ul> </li> <li>▪ Pallaqueras<sup>7</sup></li> <li>▪ Cachorro<sup>8</sup></li> <li>▪ Collectors<sup>9</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial entities               <ul style="list-style-type: none"> <li>○ Caja Ica.</li> <li>○ Caja Los Andes.</li> <li>○ Financiera Confianza.</li> <li>○ COOPAC San Miguel</li> <li>○ FEPCMAC.</li> <li>○ Savings and Loan Cooperative COOPERA</li> </ul> </li> <li>▪ Risk centers</li> <li>▪ Safekeeping companies</li> <li>▪ Certification seals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regional Directorate of Energy and Mines (DREM)/ Regional Management of Energy and Mines (GREM)</li> <li>▪ Ministry of Energy and Mines (Minem)</li> <li>▪ Ministry of Environment (Minam)</li> <li>▪ National Superintendence of Customs and Tax Administration (Sunat)</li> <li>▪ Superintendency of Banking and Insurance (SBS)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Non-Governmental Organizations               <ul style="list-style-type: none"> <li>○ Solidaridad</li> <li>○ Swiss Better Gold Association (SBGA)</li> </ul> </li> </ul>

**Table 1:** List of the principal stakeholders regarding the financial inclusion component.

**Source:** UNDP Peru.

<sup>7</sup> Pallaqueras: A term referring to artisanal women miners who work searching for and manually selecting rocks with precious metal content in ASM mine dumps. They are also known as women gold hand pickers (Alliance for Responsible Mining) or women mineral selectors.

<sup>8</sup> Cachorro: It is the activity by which a worker with no formal relationship with a company carries out a campaign in a mining work in exchange for ore as his form of payment or in exchange for days of work in the work where the extracted becomes his payment. (Congreso de Perú, 2002).

<sup>9</sup> Collectors: Refers to persons who act as intermediaries in the purchase of ore concentrate between the ASM and the final customer.

## 1.0.5 Status of ASGM financing prior to intervention and financial needs assessment

The 2021 study "Towards Financial Inclusion of ASM" estimated that 87% of ASM operations in Peru are carried out without being banked, primarily due to the prevalent use of cash, while only 13% utilize financial institutions. Additionally, the study also identified that the financial system serves only 30% of ASM operations, primarily through personal loans, with notable absence of SME or corporate banking services, as financial institutions neglect 99% of ASM companies. Concerning artisanal mining, within the manual gold selectors, 73% do not seek financing for their panning activities. However, the project aimed to support them through credit to improve their quality of life and simultaneously bolster their skills in financial education and entrepreneurship.

The study revealed that miners are served by personal banking through active and passive products. However, corporate banking should serve formalized mining companies or registered in REINFO. Miners primarily utilize personal banking services, with only 14% possessing debit cards and 10% holding current credit. Of the 10% with loans, 40% allocated funds to machinery and equipment, 32% to supplies, 19% to working capital, and 6% to transportation. Municipal savings banks played a significant role (20%) among financial institutions serving ASM, followed by banks (10%) and cooperatives (3%).

Among women mineral selectors pallaqueras, 29% have a debit card, 75% exclusively using them for ATM withdrawals and 25% utilizing them for online transfers and payments. For women, cooperatives (19%), banks (18%), local savings and credit banks (16%), rural savings and credit banks (3%), financial companies (3%)<sup>10</sup>. . In 2021, 37% of women mineral selectors requested personal loans, with 89% approval rates, primarily allocated for free investment (59%), working capital (38%), and machinery and equipment (13%). A relevant fact in the financial inclusion process is that 71% of women mineral selectors demand less than 8,000 soles (\$2,210) to start businesses other than mining, and 16% demand financing of more than 8,000 soles to improve their mineral selection and commercialization activity.

Another essential segment within the ASM mining sector includes cachorreros and collectors. Among cachorreros, only 35% possess savings accounts, primarily served by municipal savings banks (65%), followed by rural savings banks (15%). For collectors, 87% operate without banking services, conducting transactions in cash. Those with savings accounts do so in banks (13%), municipal savings banks (53%), and rural savings banks (47%), with clean technologies (27%) identified as a primary investment need.

The Peruvian financial sector perceives the mining sector as risky due to legal, environmental, economic, and formality challenges, resulting in a lack of financial

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<sup>10</sup> In the Peruvian context, it is possible to distinguish up to 8 different types of financial institutions. Financial companies are part of this distinction, differentiating themselves from banks or savings and loans since they offer their clients higher yields on savings than other types of financial institutions but, in turn, charge higher interest rates on loans since they generally assume a higher risk. More information available in Spanish at: <https://www.bcrp.gob.pe/sitios-de-interes/entidades-financieras.html>

products catering to ASM in regulated financial institutions. Nonetheless, the demand for financing in the ASM sector amounted to \$344 million in juxtaposition to the barriers. Regarding the potential uses of the financial products required, these would be invested mainly in financing machinery and equipment (76%), followed by working capital (45%), transportation (7%), and others (14%). Miners expect their investment projects to be financed by banks (50%), municipal savings banks (47%), and cooperatives (3%), with an average investment amount of 49.8 thousand soles (USD 13,700 in 2021) per miner.

### 1.0.5.1 Financial education

As part of the financial inclusion component implementation, the "CREDIMAPE - Financial Education for ASM" program conducted training and awareness-raising activities to equip artisanal and small-scale miners with practical tools for enhancing financial management skills, fostering good financial practices, and building trusting relationships with financial institutions. This program seeks to reach ASM mining companies' management and workers.<sup>11</sup>

The program is developed in 4 modules with staggered topics:

- Module 1: Understanding the world of finance.
- Module 2: Good financial practices for ASM.
- Module 3. Finances of my business.
- Module 4: Access to financial products for ASM.

Modules 1 and 2 present general concepts on financial inclusion, the financial system, the value of money over time (interest rates), indebtedness, and tools for achieving financial health. Module 3 presents tools for controlling business finances. Module 4 presents financial products designed for ASM and the requirements for accessing them, which are subject to the internal policies of financial institutions.

These modules were adapted according to the target audience. For women mineral selectors, the modules are disaggregated as follows:<sup>12</sup>

Module 1. Good financial practices.

Module 2. Budget.

Module 3. Entrepreneurship.

Module 4. Access to financial products for gold handbook selectors.

Module 3 presents tools for the development of new and existing enterprises, as well as for strengthening the importance of leadership in business.

A total of 11 workshops were conducted between September and October 2022 in Arequipa, Piura, and Puno regions, engaging 188 gold hand pickers and 59 miners (13

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<sup>11</sup> UNDP (December 2023). *Financial education for ASM under the framework of planetGOLD Peru: Educación financiera para la MAPE*. Available in Spanish at:

<https://drive.google.com/drive/u/0/folders/1QtdE5CRUod9gTG-kOvKnXWgpFBg2zJTs?lfhs=2>

<sup>12</sup> UNDP (2023, December) *Financial education for "pallaqueras": Educación financiera para las seleccionadoras manuales de oro*. Available in Spanish at:

<https://drive.google.com/drive/u/0/folders/1QtdE5CRUod9gTG-kOvKnXWgpFBg2zJTs?lfhs=2>

women and 46 men). Furthermore, a training program for the evaluation and analysis of ASM credit risk was attended by 36 representatives from financial institutions such as Caja Ica, Los Andes, Financiera Confianza, COOPAC San Miguel, and FEPCMAC.

### 1.0.5.2 Description of the financial mechanisms.

Within the financial inclusion component, three financial products and one mechanism were designed: Mining Growth Credit (Crece Minero ), Credit Pallaquera Women (Mujer Pallaquera), Mining Entrepreneur Credit (Minero Emprendedor), and the 4P financial mechanism. These products and mechanisms aim to address the financing needs of formal artisanal miners, with a gender-specific focus on women involved in manual gold selection, as well as operations geared towards enhancing productivity through collaboration with mining companies.

**Mining Growth Credit:** This financial product, developed in collaboration with Caja Ica, targets investments in fixed assets and working capital. It is designed for formal artisanal miners or those undergoing formalization, engaged in the exploitation, processing, and commercialization of minerals in permitted areas of the country.

**Credit Pallaquera Women:** This financial product, developed in partnership with Caja Ica, is geared towards investments in fixed assets and working capital. It caters to the financing needs of women involved in the manual selection of gold. Additionally, this credit product offers an extra benefit of insurance coverage for cancer diagnosis or a discount when timely payments are made. The client must choose one of these two benefits, with the selection being mandatory.

**Mining Entrepreneur Credit:** This financial product, developed in collaboration with Caja Los Andes, targets investments in fixed assets. Currently in the pilot phase, it aims to finance equipment to enhance the productivity of operations operating under a model of collaboration and coexistence with mining companies.

**4Ps Financial Mechanism:** This financial mechanism, developed in collaboration with Caja Los Andes, focuses on investments in fixed assets. The purpose of this mechanism is to reduce credit risk by employing a closed payment scheme that includes beneficiation plants, financial institutions, artisanal miners, suppliers of mining technologies, and technical support. Initially, identifying the financing needs of miners supplying ore to the mills precedes a preliminary evaluation process to gauge their compliance with requirements, while potential technology suppliers undergo analysis. Subsequently, the financial institution assesses the miners, approves the loans, and disburses the funds directly to the supplier. Fees linked with the loans are held and paid by the processing plant, deducted from payments for the gold sold by the artisanal miner.

Financial institutions emphasized the significance of establishing a guarantee or hedge fund to mitigate risk and broaden the pool of potential beneficiaries. However, the creation of such a fund has not yet occurred.

Product	Financial Institution	Type of product	Minimum and maximum amount in USD	Maximum term
Mining Growth Credit	Caja Municipal Ica	Working Capital Financing	Min: 200 Max: 35,000	18 months
		Investment Financing		60 months
Credit Pallaquera Woman	Caja Municipal Ica	Working Capital Financing and Investment	Min: 130 Max: 3,200	18 months
Mining Entrepreneurial Credit	Caja Los Andes	Investment Financing	Min: 80 Max: 21,000	12 months

**Table 2:** Types of financial products promoted by planetGOLD Peru.

**Source:** UNDP Peru.

Regarding the interest rates considered by financial entities, each determined rates based on the creditworthiness of potential mining clients. Caja Los Andes offered an interest rate of approximately 35% per year for the Mining Entrepreneurial Credit, consistent with rates provided to micro-businesses. An analysis of the credit market conducted by this entity revealed an improvement compared to interest rates in the informal credit market. Caja Ica, with approximately USD 5 million (20 million Soles) in placement, provided loans to Peruvian small-scale mining at an interest rate of 21% per year, contingent upon the credit risk analysis of the mining client. Caja Ica partnered with the state initiative "Emprende Mi Perú," aiming to facilitate SME loan provisions.<sup>13</sup>

The interest rate offered by savings and loan banks allied to the program's financial inclusion component were typically higher than those offered to small-scale mining producers reflecting the increased risk of non-payment and reduced backing guarantees. Thus, for the Credit Pallaquera Woman, Caja Ica offers loans to artisanal and small mining from 45% per year. However, an internal analysis revealed that the informal market offers them up to 80% interest annually. Additionally, Credit Pallaquera Woman provides two complimentary benefits with the credit to choose from: an insurance policy covering cancer detection and a bonus receipt for sound credit management.

### 1.0.5.3 Due diligence evaluations

Initially, the financial institutions endorsing the financial products outlined in the planetGOLD Peru project opted to conduct due diligence on potential mining clients through their legal teams and internal evaluation mechanisms. Furthermore, the planetGOLD Peru team provided each financial entity with a description of the mining formalization process in the country and assisted them in enhancing their internal processes in managing Reinfo information. Additionally, the financial institutions sought guidance from the Superintendence of Banking, Insurance, and Pension Fund Administrators (SBS), which approved the designated financial products.

<sup>13</sup> One advantage offered by the Program's partner lending institutions was to offer equal interest rates in the event that small-scale miners could demonstrate that they had cheaper loans with other financial institutions.

Nonetheless, for artisanal mining, the due diligence assessment proved more intricate as financial institutions found it challenging to substantiate the formalization of this activity. Given this challenge, a distinctive data cross-checking process was adopted, leveraging the microfinance methodology outlined by the SBS. Consequently, these distinctive elements, such as tax information (georeferencing, field visits, among others), were integrated into the due diligence validation process for artisanal mining.

#### 1.0.5.4 Socialization of mechanism

To the potential beneficiaries, the program has assigned specialized and multidisciplinary teams in each region with the objective of implementing field activities that prepare mining organizations for credit applications. These efforts align with the objectives of the ASM Financial Education Program, strengthening knowledge related to financial management, financial monitoring, future planning, and the choice of the most appropriate financial product for the needs of the business. As a result, to date, technical support has been provided to 1,005 miners in the three intervention regions (257 women and 748 men).<sup>14</sup> This assistance covers the following topics:

1. Accounting and document management.
2. Review of the status and/or process of formalization.
3. Evaluation of machinery inventory.
4. Identification of opportunities for the implementation of new mercury-free technologies.
5. Articulation of the business model to new investments in technology for its financing.
6. Development of mining plans.

As with the mining groups, in the regions of Piura, Puno, and Arequipa, 166 mineral selectors were trained (mostly women), covering aspects that involved strengthening associativity, identification, and promotion of leadership, recognition of complementary businesses to the mining activity, awareness of the effects of mercury on health, and promotion of good practices in manual gold sorting. Likewise, the planetGOLD Peru project continues to support allied financial institutions such as Caja Municipal Ica and Caja Los Andes in the dissemination and scaling up of the credit products developed.

#### 1.0.5.5 Performance of mechanism

With regard to the search for strategic alliances for the implementation of the financial products described above, the planetGOLD Peru project has signed collaboration agreements with the following entities:

- Caja Los Andes
- Caja Municipal Ica

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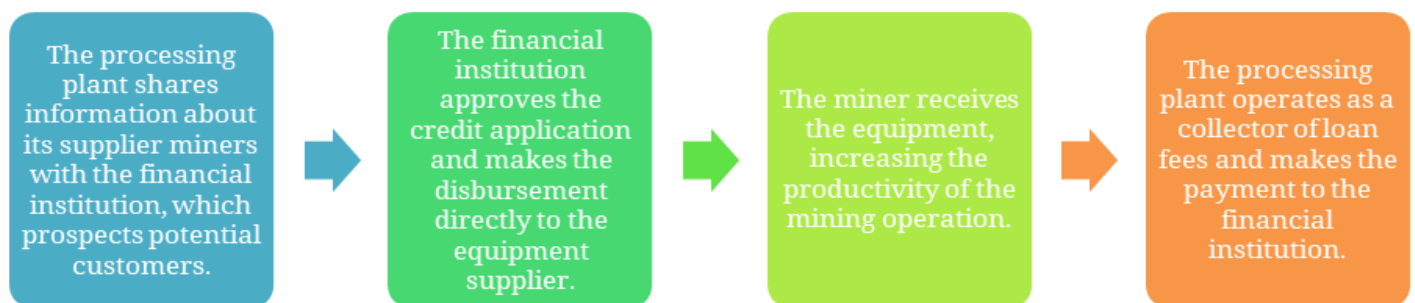
<sup>14</sup> To date, 84% of the established goal has been met (1,200 miners trained).

- San Miguel Savings and Loan Cooperative
- COOPERA Savings and Loan Cooperative
- Inca One Metals<sup>15</sup>

Clearly, most agreements to date have been with financial institutions. This strategy aims not only to promote financial inclusion by providing credit for the adoption of mercury-free technologies but also to assist beneficiaries in identifying new mineral markets, adhering to environmentally responsible standards, and complying with current mining regulations. Caja Los Andes has pledged to allocate around USD 500,000 for implementing the proposed financial mechanism in coordination with Minera OREX, the beneficiary's processing plant owner. Caja Ica has allocated between 2.5% and 3% of its portfolio to ASM loans through its Mining Growth Credit and Credit Pallaquera Women products, totaling approximately USD 11,000,000 to fulfill future loan requests. As of February 2024, Caja Municipal Ica had disbursed the initial ASM loans totaling USD 215,200 across 28 loans, with:

- 25 loans were granted to artisanal and small miners and the remaining three to women mineral selectors.
- 19 were granted to men, 5 to women, and 4 to mining companies.

Another measure employed by the program to promote the Financial Inclusion Component has been the signing of Low-Value Subsidy Agreements, two of which were signed with the NGO Solidaridad. This strategic alliance has facilitated, among other achievements; (1) the signing of a specific Agreement between Solidaridad, Minera OREX, and Caja Los Andes in November 2022, achieving the practical application of the "4P" model; (2) through the described model, by the end of 2023 loans in the amount of USD 22,000 had been allocated in 4 credits to artisanal miners and a group of additional loans for a total amount of USD 30,000 are currently being evaluated; and (3) the financial product for women mineral selectors to finance complementary businesses is expected to be implemented, with the goal of allocating a minimum of USD 25,000.



**Illustration 1:** Operation of the "4P" Model.

**Source:** Own elaboration with information from UNDP Peru.

<sup>15</sup> Gold processing plant.

In addition, between January and February 2024, an additional 4 loans with Caja Los Andes worth USD 21,681 have been granted to ASGM operators.

## 1.0.6 Sustainability

The interest and active support from the private sector not only demonstrate the economic viability of the financial products designed but also underline the commitment of the business sector to socially responsible and sustainable practices. In addition, the strategic and operational support of the regional and national governments, such as the MINEM and the MINAM, is currently a fundamental pillar for the medium-term sustainability of the financial component.

# 1.1 Cross-cutting Issues

## 1.1.1 Gender

The process of mining selection, commonly known as "pallaqueo" is predominantly carried out by women, accounting for 97% representation and characterized by an average age of 40 years and low levels of formal education (37% primary education, 55% secondary, 7% technical, and 1% university)<sup>16</sup>. The women mineral selectors (pallaqueras), work on the hillsides manually selecting the gold-bearing material discarded by the miners as waste. The activity of the women mineral selectors is currently unregulated in the country<sup>17</sup>), except for the Puno Region where regulations exist, leaving women dependent solely on the authorization of mine owners or operators to work within mining territories. Consequently, women mineral selectors are not recognized as rights-bearing individuals, leading to limitations in their formalization and access to financial products and services, as they lack legitimacy as significant ASM agents. This lack of recognition also impacts women mineral selectors in their commercialization processes, as the minerals they collect are often subject to discounts of 30% to 40% imposed by buyers or collectors compared to their actual value.

Given the vulnerability of this group, the planetGOLD project prioritized working with groups of women mineral selectors as part of the gender approach, developing action plans in each area of intervention, which included a tailored financial education program, and in turn, validating and implementing a financial mechanism adapted to the needs and profile of the women mineral selectors. Thus, within the framework of the low-value subsidy agreement with the GEA Group,<sup>18</sup> a sustainability consultancy company, a

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<sup>16</sup> UNDP; MINAM. (2022). Women and men of gold: Challenges towards gender equity in artisanal mining and small mining. Available at:

[https://www.planetgold.org/sites/default/files/Women\\_men\\_gold\\_summary\\_ENG.pdf](https://www.planetgold.org/sites/default/files/Women_men_gold_summary_ENG.pdf)

<sup>17</sup> Under the normative DECRETO SUPREMO N° 018-2018-EM

<sup>18</sup> As part of the PlanetGOLD Peru project, GEA Group was in charge of:



financial mechanism was designed for women mineral selectors based on the community banking model that establishes the granting of credit to women's solidarity groups. The mechanism has been validated with the associations of women mineral selectors, and plans are being finalized for business opportunities complementary to the mining activity to consolidate its financing in the future.

Approximately 166 manual gold selectors from the regions of Arequipa, Piura, and Puno received technical support in associativity and were also part of the project's gender training plans. The associativity allowed not only to organize the groups of women mineral selectors and provide them with legal support in the absence of a norm that recognizes them, but also motivated that through a collective identity they could set medium- and long-term goals for themselves, their families, and communities. Each association had different needs, which is why an action plan adapted to each territory was developed, addressing the issues of strengthening leadership, organizational management, good practices in the manual selection of gold, prevention of violence against women and the search for financing and/or capital for their business ideas, this last topic represented the most demanded by the women mineral selectors groups in the 3 regions.

Considering women's needs, where many of them expressed, due to their age or other factors, the desire to advance to complementary or alternative livelihoods, emphasis was placed on the identification and design of business and/or entrepreneurial proposals, planning, and basic finance.

## **1.1.2 Environmental issues (beyond mercury) and climate change.**

It is expected that the financing derived from the credits in the financial products designed will allow for the transformation of ore beneficiation operations, reducing/avoiding mercury use in the process, which will contribute to environmental improvement. Additionally, access to financial mechanisms holds potential for mitigating and adapting to climate change. Mitigation entails reducing CO2 emissions and their impact on the carbon cycle, as well as minimizing the release of greenhouse gases into the environment through enhanced energy efficiency and the implementation of climate-smart activities.

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- Design and development of four (04) financial products for ASM, with a gender approach.
  - Development of a training program for ASM credit risk assessment and analysis for officials of participating financial institutions.
  - Development of the Financial Education Program for ASM with a gender approach.
  - Test the pilot of the financial products designed with the IFIs.

# 1.2 Findings, Observations, Lessons Learned

## 1.2.1 Project Highlights

A milestone to highlight in this case study has to do with the rigorous nature of the analysis and research methodologies developed by planetGOLD Peru to satisfactorily comply with the component "Establishment of financing agreements to grant loans for mercury-free processing equipment." Thus, on the one hand, the design and implementation of four financial inclusion mechanisms for ASM in Peru were achieved under a microfinance approach, considering not only differential aspects in the performance and production characteristics of the different ASM actors but also in relation to the different credit destinations and a gender perspective. On the other hand, the project achieved the goal of increasing ASM miners' capacity with basic skills and knowledge of tax, accounting, organizational, and business aspects, with a view to potentially benefit from the designed credit modalities.

As a result of the above, through the implementation of the financial inclusion component of the Program, a total of USD 237,000 in credit disbursements to ASM was achieved by February 2024 from three of the financial products designed and implemented in conjunction with partner financial institutions. This amount originates from a total of 32 loans: 4 loans for USD 22,000 under the "4P" model, in addition to the 28 loans with a total amount of USD 215,000 derived from the Credit Pallaquera Women and Mining Growth Credit mechanisms.

## 1.2.2 Suitability of the Intervention Design

The materialization of the agreements reached to date by the planetGOLD Peru project demonstrate the relevance of the financial products created for the Peruvian ASM sector. The design of the four financial instruments allows participating financial institutions to expand a portfolio of services to the ASM sector, adapting to the needs and expectations of potential clients and allowing credit unions to gain a wider reach in terms of knowledge and different conditions for mining clients. In addition, the diverse range of products and services on offer means that other financial institutions may consider joining in the financing of the Peruvian mining sector.

## 1.2.3 Specific Factors for Success

- Conducting a comprehensive analysis to identify barriers and bottlenecks in artisanal and small-scale mining's access to financial services in the country.
- Ensuring rigor in creating tools and instruments suitable for evaluating ASM mining clients.
- Successfully designing practical methodologies for financial education, tailored differently for miners and women mineral selectors (pallaqueras).
- Establishing strong consolidation of mining women's groups and associations to

- foster a collective identity and set medium- and long-term objectives.
- Forming strategic alliances with financial entities like Cajas Municipales de Ahorro y Crédito, Cajas Rurales de Ahorro y Crédito, and Cooperativas de Ahorro y Crédito, particularly in Arequipa, which has the largest number of potential miners eligible for financing.
  - Providing capacity building for representatives from formal financial institutions to acquaint them with the context of artisanal and small-scale mining.<sup>19</sup>
  - Promoting proposals and business ventures, particularly among women miners, to generate additional income or alternative livelihoods to mining.
  - Collaborating with civil society organizations, utilizing financial instruments defined by planetGOLD Peru, to implement joint initiatives for positive transformation of ASM conditions in the country.
  - Adopting a microfinance approach as the initial step to include miners financially, aiming to establish a payment record enabling them to qualify for credit with other financial entities like banks, which offer more favorable terms.
  - Conducting studies to assess the potential market size and facilitate credit evaluation of a sample of formal and miners in the formalization process (REINFO). This process demonstrates to the financial sector the creditworthiness of miners accessing financing, despite the absence of specialized products. Such insights are crucial in capturing the attention of financial entities.

## **1.2.4 (Potential) Factors for Failures**

During this case study, it became evident that the planetGOLD Peru Program encountered setbacks due to differences in miner expectations, significantly impeding the achievement of expected results and impacts. This included complaints about the perceived high interest rates of financial institutions, which were deemed excessive by interested ASM producers.

It was noted that internal management within financial entities, particularly between central and regional offices, was often weak and uncoordinated. This issue was exacerbated by frequent changes of managers in the branches, leading to delays in the processes of linkage and credit evaluation. Additionally, it was identified that sometimes the guidelines regarding the requirements demanded in the credit evaluation process by the allied banking entities were unclear.


No strategy has been implemented to address the medium and long-term sustainability of financial products. The project failed to formulate any type of credit for the ASM segment defined as "consolidated ASM."

## **1.2.5 Recommendations for Future Interventions**

It is imperative for the public sector to formulate coherent, adequate, and transparent policies with a comprehensive gender focus, along with a regulatory framework aimed at reducing the perception of risk in Artisanal and Small-scale Mining (ASM). Essential to

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<sup>19</sup> During these internships, the miners' assets were verified, the business model was validated, and workshops were held for the participatory design of the products.



this effort is direct intervention or support to organizations or miners who have completed their formalization, aiding in areas such as information generation, taxation, accounting, administration, marketing, and the development of tailored business plans.

State involvement and collaboration with consultants during the post-formalization stage are essential to ensure the sustainability of these organizations.

One aspect that is inadequately addressed is the commercialization phase. It is necessary to implement specific adjustments or regulations to establish confidence in the sector by guaranteeing the legitimacy of the origin of the gold to be commercialized, while avoiding encouraging informal commercialization through excessive bureaucracy or unrealistic requirements. Implementing a due diligence and traceability system based on information technology for the gold commercialization stage would contribute to reducing perceived risks for the financial sector.

A guarantee or hedge fund, financed through project resources or state funds, was a common request from all entities planetGOLD Peru met with. However, this condition limited the participation of a larger number of entities, as they perceived the Artisanal and Small-scale Mining (ASM) sector as high risk, aggravated by the lack of knowledge about it.

Lastly, it is crucial to work with organizations that have completed their formalization in the post-formalization stage (REINFO), ensuring they have reliable financial information and a well-defined business plan. Therefore, for public policies to be effective, they should ensure the presence of sufficient financial incentives, such as access to credit adapted to the ASM sector or the elaboration of a business plan, together with regulatory norms, to encourage the formalization of small-scale miners' activities.

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# 1.3 Annex

Indicators and final targets for Component/Outcome 2: “Establishment of financing arrangements to provide loans for mercury-free processing equipment”.

<b>Component/Outcome 2: Financing arrangements established to provide loans for mercury-free processing equipment.</b>	
<b>Indicators of objectives and results</b>	<b>End-of-project objective</b>
Legalized miners and mining cooperatives in agriculture and small-scale and commodity transport (ASM) can access loans for the purchase of mercury-free processing equipment and investments.	<p>Four new or improved financial products and mechanisms (including financial products tailored to women) were established for the ASM sector.</p> <p>USD 15 million (total amount of funding) available to the ASM sector through existing or new financial mechanisms.</p> <p>USD 3 million (total amount of financing) allocated to the ASM sector through approved loans.</p>
12 groups of ASM miners (of which 20% of the miners are women) are trained to apply for loans for mercury-free processing equipment and investments.	<p>1,200 ASM miners (of which 400 women, 800 men and miners are trained in the preparation of a loan or investment application (including technical and financial feasibility studies).</p> <p>Twelve credit applications were developed (with technical support from the project).</p> <p>50% of loan applications (developed with the technical support of the project) approved.</p>

Source: UNDP.

Regions of implementation of the Financial Inclusion component.

Arequipa	Caravelí	Chapara	Pueblo Viejo	Chaparra
		Chapara	Cuatro Horas	Cuatro Horas
		Huanuhuanu	Huanuhuanu	Huanuhuanu
		Huanuhuanu	Mollehuaca	Mollehuaca
	Camaná	Mno. N. Va	Secocha	Secocha
		Mno. N. Va	Misky	Posco Miski
	Condesuyos	Yanaquihua	Central Cerro	Cerro Rico Base
		Yanaquihua	Base Rey	Cerro Rico Base
		Río Grande	San Juan de Chu	San Juan de Chu
Puno	San Antonio de Putina	Ananea	Ananea	Ananea
		San Antonio de Putina	La Rinconada	La Rinconada
		San Antonio de Putina	Cerro Lunar	Cerro Lunar
	Sandia	Limbani	Limbani	Pituco
		Cuyo Cuyo	Cuyo Cuyo	Huancasayani
Piura	Piura	Suyo	San Sebastián	San Sebastián
	Ayabaca	Sapillica	Pampa Larga	Pampa Larga
		Suyo	Cochi Corral	Cochi Corral
		Suyo	Servilleta	Servilleta

Mining, environmental and tax formality requirements for the financial products designed in the Program.

<b>Mining and environmental formalities</b>	<b>Tax formality</b>
<ol style="list-style-type: none"> <li>1. Mining concession title, mining exploitation contract or mining assignment contract.</li> <li>2. Surface land use authorization.</li> <li>3. Approval of Igafo.</li> <li>4. Authorization to start or restart mining activities.</li> </ol> <p>Tax formality:</p> <ol style="list-style-type: none"> <li>1. Have an active RUC and ISIC linked to the mining activity.</li> <li>2. Annual Income Tax Return or Third Party Tax Report.</li> <li>3. Semiannual production statement.</li> <li>4. Last three mineral sales settlements.</li> </ol>	<ol style="list-style-type: none"> <li>1. Generation of surpluses of at least S/1,000 (about \$270) of operating profit per month. In line with this, no activities that only generate subsistence income are financed.</li> <li>2. Equity support (including family assets). Mining groups must have positive equity from any type of fixed or current assets.</li> <li>3. They must be carried out at a fixed point (georeferenced). In the case of activities carried out in dismountable structures, risk conformity is required.</li> <li>4. Not to develop seasonal, sporadic or illegal activities.</li> <li>5. Not to be located in areas of illegal extraction or prohibited by law or outside the scope of action of any of the Financial Intermediation Institutions.</li> </ol>

Source: UNDP<sup>20</sup>.

<sup>20</sup> UNDP. (2021). Towards financial inclusion for ASM (p 38). Available at: [https://www.planetgold.org/sites/default/files/Towards\\_financial\\_inclusion\\_for\\_ASM\\_summaryENG.pdf](https://www.planetgold.org/sites/default/files/Towards_financial_inclusion_for_ASM_summaryENG.pdf)

