



PERU

SELECTED ISSUES

June 2026

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Approved By
Western Hemisphere
Department

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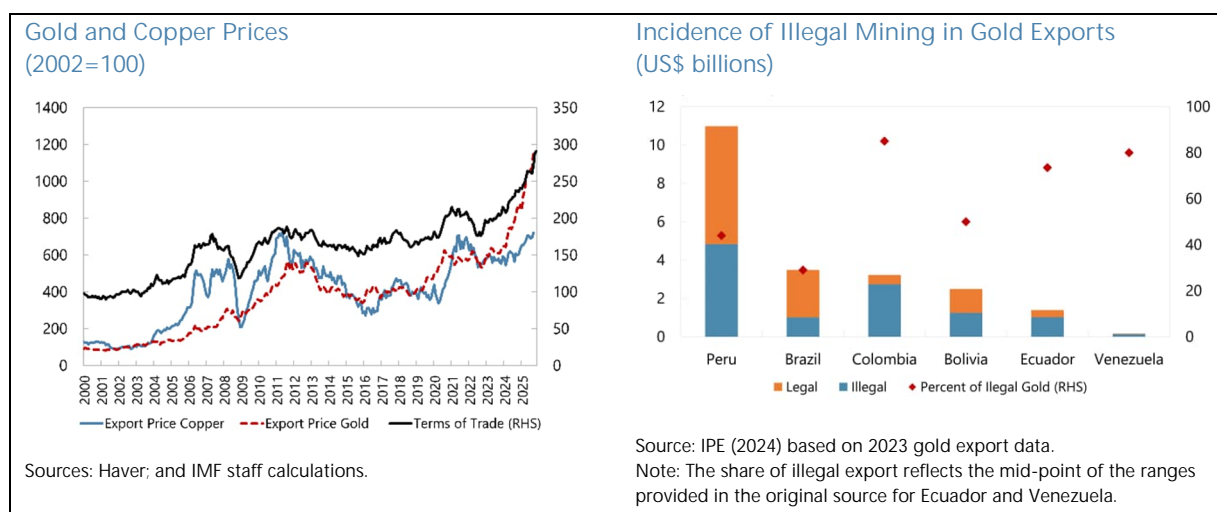
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THE MACROECONOMIC THREAT OF ILLEGAL MINING¹

The post-pandemic spike in metal prices has triggered a rise in illegal mining activities across the region, and Peru is the largest exporter of illegal gold in the region. If not tackled, this widespread phenomenon could jeopardize Peru's position as a reliable destination for mining investment and ultimately erode Peru's growth potential. Illegal mining also has extensive repercussions beyond investment, impacting labor markets, socioeconomic development, and the institutional environment. Tackling illegal mining will require efforts to close existing legal gaps and establish clear pathways to formalization. It would be important to improve the state's capacity to combat illegal mining and adopt a supply-chain approach to enforcement, as well as supply-side policies to reduce incentives to engage in illegal mining.

A. Introduction

1. Recent record-high mineral prices have led to a notable escalation of illegal mining in South America. Illegal mining accounts for an increasingly significant share of mineral extraction in the region, with some estimates suggesting that about 51 percent of gold exported in recent years was illegal (IPE 2024). High profits, coupled with thin state presence in remote areas, have raised the incentives for illegal actors to infiltrate the sector.² Illegal mining, which has been sometimes linked to organized criminal activity, challenges governments in the region, as it causes severe environmental damage, threatens citizen security, and undermines the rule of law (SPDA 2015), ultimately deterring confidence and investment.



¹ Prepared by M. Chin and E. Di Gregorio (both WHD) and I. Maduako and M. Saraiva (both STA), with contributions from M. Markevych (LEG) on the legal aspects of illegal mining. E. Bae and D. Garza (both WHD) provided excellent research assistance. We thank the Central Reserve Bank of Peru for data on identifying districts with illegal mining, and the Ministry of the Economy and Finance, the Ministry of the Environment, Fiscalía de la Nación, the SBS's Financial Intelligence Unit, and SUNAT for providing data and support throughout the project.

² Satellite data analysis by MAAP (2025) detected new mining activity in over 200 protected areas and indigenous territories across nine countries in the Amazon region in 2025, likely driven by the expansion of illegal mining.

2. Peru is the largest exporter of illegal gold in the region, while illegal copper exports are increasing. Illegal mining has traditionally been concentrated in gold and, in 2025, illegal gold production reached levels similar to legal gold production (IPE 2025a). Moreover, as Peru holds the second largest copper reserves in the world, an emerging concern is the recent expansion of illegal mining to copper production, where higher fixed investment costs had traditionally deterred illegal actors. In 2024, illegal copper was estimated by staff to account for up to 5 percent of copper exports.

3. If not tackled, illegal mining has the potential to become macro-critical to Peru's growth prospects. Illegal mining affects an estimated US\$12 billion pipeline of mining projects (IPE 2025b), potentially imperiling a major contributor to private investment and growth and Peru's position as a reliable destination for mining investment. Illegal mining also has broader socioeconomic repercussions. Due to the complex nature of its industrial organization, illegal mining activities can infiltrate the formal economy and spill over to other sectors,³ while its continued expansion could risk becoming permanently entrenched.

B. The Rising Threat of Illegal Mining in Peru

4. Illegal mining has been a longstanding phenomenon in Peru, mostly affecting gold mining. Peruvian law distinguishes between illegal miners, who operate in violation of the law,⁴ and informal miners, who work at an artisanal or small scale in non-prohibited areas. Peru's mineral wealth, rugged geography, and limited state capacity have historically favored both informal and illegal mining. While Peru's largest mineral export is copper, the country ranks tenth among the world's largest gold producers and eighth by reserve size. Gold is especially attractive to both small-scale and illegal mining interests due to its high value-to-weight ratio, low-cost and simple extraction methods, and weak traceability. Small and artisanal miners contribute about 19 percent of official gold production (MINEM 2025), producing in areas as diverse as the Andes range, the Amazon alluvial basins, and the highland borders with Bolivia and Chile.⁵ The remoteness of many production sites enables activity on the margins of the law. Gold mining-related deforestation is documented as far back as the 1980s in the South-Eastern Amazon forest (CINCIA 2018), often encroaching on protected areas and indigenous territories (USAID 2021, MAAP 2025).

5. However, with metal prices at historical highs, illegal mining has intensified and is spreading to new areas and to copper. The share of Peru's gold exports not accounted for by domestic production has been rising over the past decade.⁶ In 2024, this share reached 48 percent

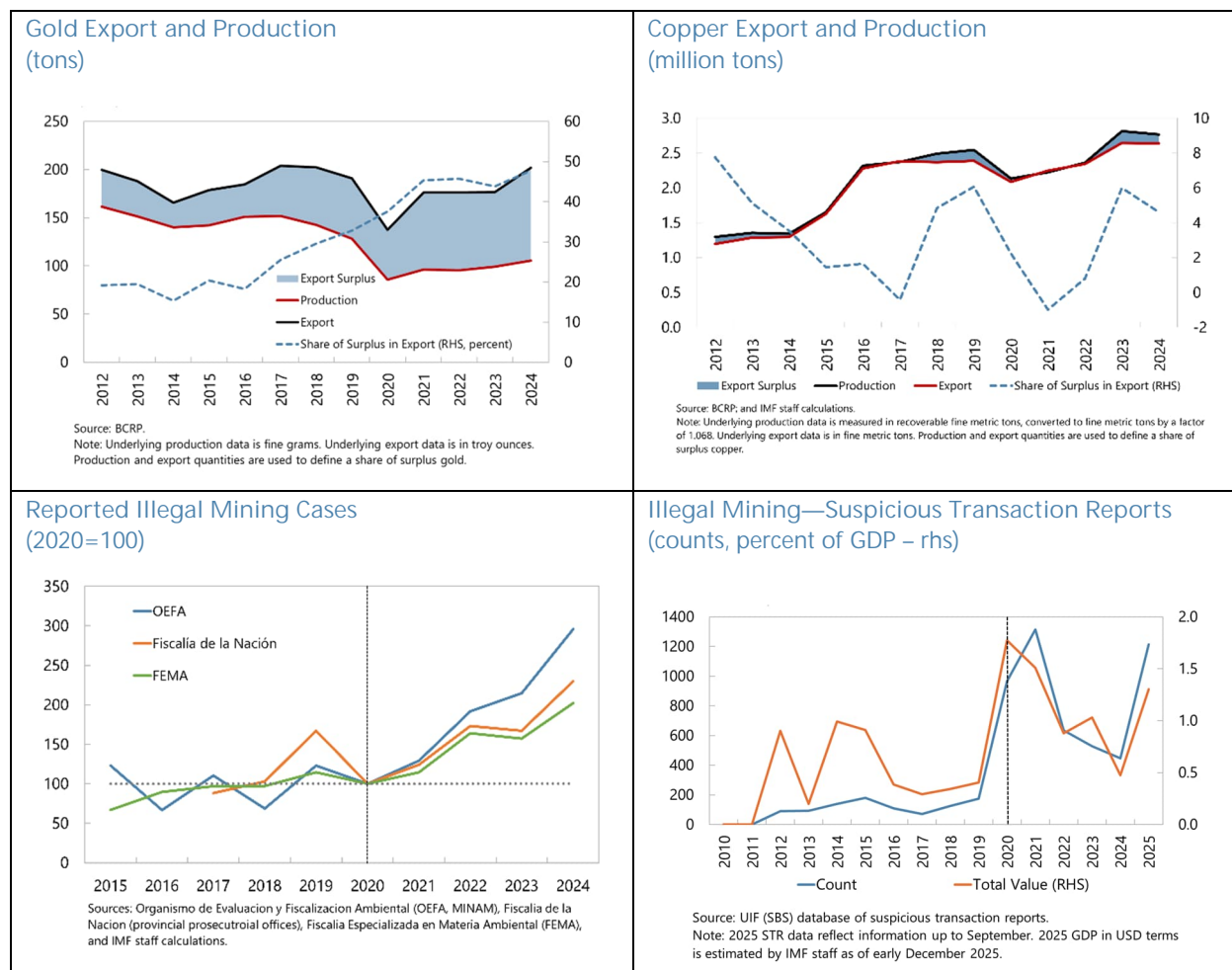
³ For example, illicit actors establish legal enterprises to launder profits or use authorized smelters to legalize illegally extracted minerals.

⁴ This includes operating in prohibited areas; not complying with administrative, technical, social, and environmental regulations; and using machinery or equipment not justified by small-scale or artisanal miner status (Legislative Decree 1105). Illegal mining is prosecuted under Legislative Decree 1100 and Penal Code articles 307 A through F as an environmental crime.

⁵ Between 2001 and 2024, official gold production was recorded in 181 districts across 18 of 25 departments, compared with 116 districts for copper.

⁶ Illegally mined products may also be exported via contraband and would not be captured by a simple comparison between official export and production statistics.

of total gold exports, equivalent to 2.5 percent of GDP. Higher global copper prices have also begun attracting illegal actors to copper mining, which requires more costly equipment and extraction methods. Administrative data indicates an acceleration of these trends in the post-pandemic period. Between 2020 and 2024, environmental complaints to the Assessment and Environmental Control Agency (OEFA) almost tripled; illegal mining cases with the public prosecutorial offices, including the specialized environmental prosecutorial office (FEMA), doubled; and the value of suspicious transaction reports related to illegal mining received by the financial supervisory authority's (SBS) Financial Intelligence Unit (UIF-Perú) averaged 1 percent of GDP each year.⁷



6. As illegal actors scale up, they compete with formal mining companies. Illegal miners invade existing mining concessions, affecting production sites, equipment, and infrastructure, which sometimes leads to direct confrontation with employees (De Echave 2022).⁸ Companies report

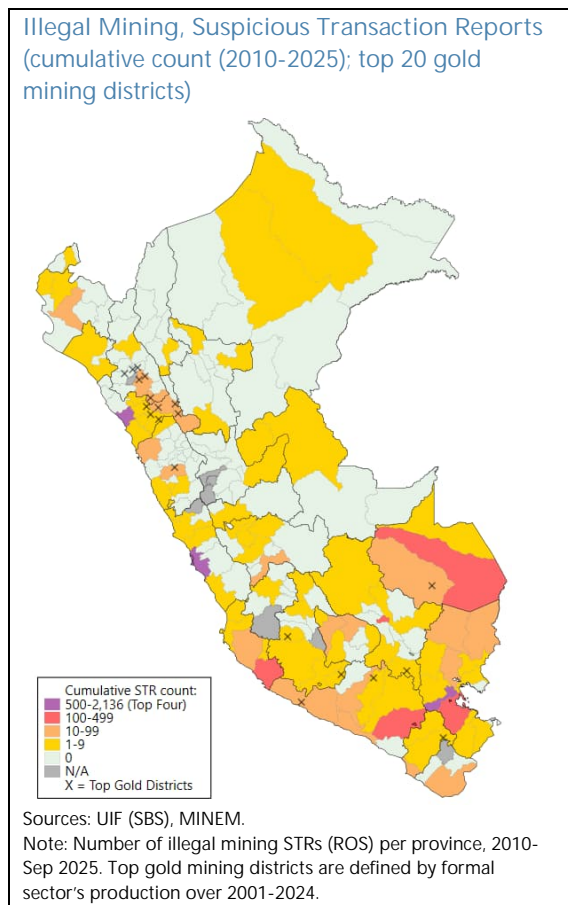
⁷ SUNAT's data further indicate that the number of actors involved with mining has increased substantially. Over 2018-2022, the number of taxpayers registered in mining extraction grew by 78 percent, while those involved in the wholesale of minerals and metals grew by 18 percent.

⁸ For example, in the spring of 2025, 13 miners were kidnapped and murdered in the province of Pataz, where the government had declared a state of emergency to address illegal mining and the operations of criminal groups linked to it.

higher security costs to ensure employees' safety; reduced incentives for exploration; delays in the fulfillment of mandatory administrative procedures, such as environmental impact evaluations; and modification of investment plans to reduce exposure. Ultimately, this generates uncertainty, weakens property rights, and potentially affects companies' risk ratings.⁹

7. High profits have created incentives for involvement of organized crime, and illegal mining is infiltrating other segments of the economy.

Illegal production and income are laundered by investing in the legal economy.^{10,11} Many suspicious transaction reports related to illegal mining are received from cities such as Lima, Trujillo, or Juliaca, which can serve as financial centers outside of gold and copper production districts supporting illegal mining operations. Financial investigations, whose predicate crime is illegal mining, accounted for almost 60 percent of all investigations' value over 2021-2025, compared to 8 percent for drug trafficking and 4 percent for tax crimes.¹² More worryingly, reports link illegal mining to an ecosystem of law violations, including illegal forestry (CIN CIA 2018), coca cultivation (FCDS 2024), human trafficking (OAS 2021), child labor (SNMPE 2024), and transnational organized crime (OAS 2021, IPE 2024), and there is a widespread perception that illegal mining fuels political corruption.¹³ Many illegal miners reportedly contract armed protection and procure explosives whose possession is restricted by law, actively challenging the government's capacity to ensure security and the rule of law.¹⁴



¹⁰ On laundering production, new registrations of businesses for the processing, marketing, and export of gold tripled in 2020-2024 compared to 2015-2019 (IPE 2025a).

¹¹ On laundering income, the media frequently reports on the use of these proceeds for lavish consumption, such as the rise of conspicuous real estate developments in and around Pataz, but proceeds have also been used to expand into other illicit activities. Illegal gold mining was assessed to pose the most serious risk to money laundering in the mining sector in Peru (SBS 2023).

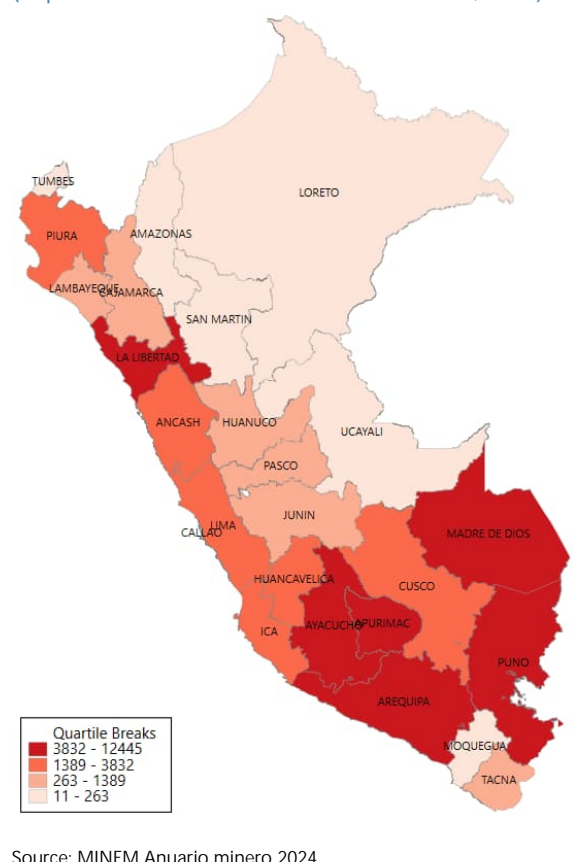
¹² Estimates refer to financial investigation reports for which a predicate crime is reported.

¹³ In an August 2025 survey by Datum, 56 percent of respondents believe that a majority of Congress members are controlled by illegal mining.

¹⁴ For instance, cases of dynamite explosions in Trujillo in 2025 have been linked to illegal miners' activities in the gold mining district of Pataz.

8. Legal and regulatory gaps have contributed to the entrenchment of illegal mining and a sense of impunity. Legal gaps have hindered the effectiveness of the criminal justice response to illegal mining (Box 1). Regulatory ambiguity resulting from recent mining sector policies have also provided legal cover for illegal miners. The Comprehensive Mining Formalization Registry, known as REINFO, was introduced in December 2016 to incentivize formalization, but has instead created a prolonged grey zone. Repeated deadline extensions to formalize (2019, 2021, 2024, June 2025, and December 2025), weak oversight, and lax control at processing plants have allowed illegal operators to shield themselves behind REINFO registrations, which exempt registered miners from criminal, civil, and administrative liability. As illegal operators continue to illegally extract and launder production with impunity, competition and incentives to formalize are distorted and in some circumstances informal miners have become involved with illegal activities to remain economically viable. At end-2024, almost 80 percent of the existing 84,318 registrations had been suspended, while only about 2,200 miners had fully formalized and held a mining concession, indicating extremely limited policy effectiveness. In turn, the botched formalization process has fostered public distrust towards artisanal miners and the political process, making the adoption of a new Artisanal and Small-Scale Mining Law (Ley MAPE) extremely contentious.

Suspended REINFO Registers
(department-level count as of December 31, 2024)



C. Detecting Illegal Mining in Peru¹⁵

9. The presence of illegal mining is inherently hard to detect, with individual sources only providing a partial picture. Various government agencies capture different dimensions of illegal mining activities based on their institutional goal, including complaints related to environmental degradation, the unlawful acquisition of heavy machinery and chemical inputs such as mercury and explosives, suspicious financial transactions, violations of mining concessions, and the use of violence to control mining sites. The absence of an official, unified database on illegal mining underscores the need for an integrated approach. Previous efforts have focused on remote sensing datasets (often satellite imagery) to identify the environmental disturbances and pollution associated with illegal mining activities, including deforestation and land use changes (CINCIA 2018, MAAP 2025, Sonter et al. 2017, Swenson et al. 2011), mercury pollution (Asner et al. 2013, Szponar et al. 2025), and nitrogen dioxide pollution (Oluwoye et al. 2017, Martinez-Alonso et al. 2022).

¹⁵ This section was developed in collaboration with I. Maduako and M. Saraiva (both STA).

10. Drawing from a rich collection of satellite and administrative datasets, staff trained a machine-learning model to predict local, time-varying illegal mining production activities. Drawing from FCDS Perú, the Observatorio de Conflictos Mineros, USAID, OEFA, and several news outlets, 109 districts with the recent presence of illegal mining activities were identified.¹⁶ Each illegal mining district was matched to another district with no reported illegal mining using a nearest-neighbor algorithm.¹⁷ Together, the 218 districts comprise the training set. A random forest model was then trained to predict the probability of illegal mining each year using environmental variables from satellite and administrative data.¹⁸ In particular, following the remote sensing literature, the model included covariates on nitrogen dioxide levels, land use, land cover, and 20 other satellite-derived variables. This approach enables using a consistent set of variables with wide geographic coverage across years to detect the presence of illegal mining. Nevertheless, all results should be interpreted with caution, as the approach relies on indirect methods to detect the actual presence of illegal mining.¹⁹ In particular, given that illegal mining can be difficult to distinguish from informal mining, the indicator could also partially capture informal mining activities. After assessing the model's high reliability in the training sample,^{20,21} the model was used to predict the probability of illegal mining in all districts in Peru for each year between 2018 and 2024.

¹⁶ 196 districts in total were initially identified. Due to computational limitations, 109 illegal mining districts were used in the analysis, by excluding major urban areas (those with urbanization rates above 75 percent and provincial capitals) and a random sample of districts in departments with more than 8 districts with identified illegal mining.

¹⁷ This was done by estimating a propensity score using district-level literacy rates, secondary education rates, urbanization rate, the share of households with access to sewage, water, and electricity, registered population, and the share of inhabitants working in agriculture. Districts were selected without replacement.

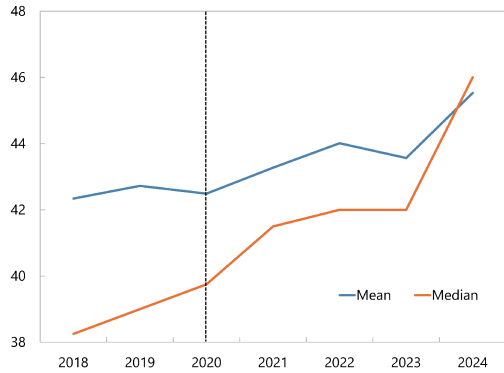
¹⁸ These include legal mining activities in the district, land cover variables (water, trees, grass, crops, shrub and scrub, built-up, and bare), night-time lights (to capture general economic activity), nitrogen dioxide levels, and environmental variables affecting nitrogen dioxide levels (namely, an enhanced vegetation index, a normalized difference vegetation index, and two aerosol optical depth variables for atmospheric particulates).

¹⁹ For example, other economic activities can generate changes in land use and pollution (such as agriculture and transportation), although efforts were made to account for these. In addition, a single model is used for mountain and forest areas, which often feature different mining methods (such as underground mining versus placer mining) and lead to different patterns of environmental disturbances.

²⁰ The model explains approximately 71% of the out-of-sample variance. Prediction errors are sufficiently low, with a Mean Absolute Error (MAE) of 0.23 and RMSE of 0.28 on a normalized [0,1] target range. High precision can be captured at threshold probabilities of illegal mining greater or equal to 0.75.

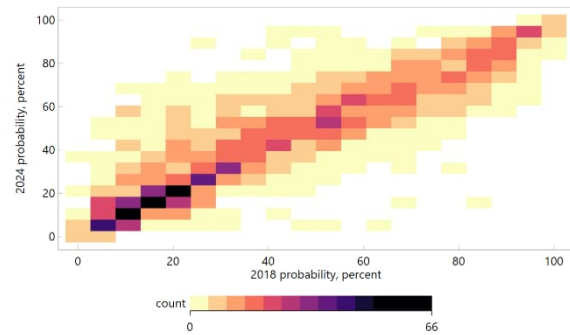
²¹ A sample of district-year pairs with high predicted likelihood of illegal mining were externally validated using an orchestrated AI-assisted workflow. The workflow separates web-based source discovery from downstream evidence assessment, enabling the identification and curation of publicly available sources that support, contradict, or provide no evidence regarding the model predictions.

Probability of Illegal Mining Across Districts (percent)



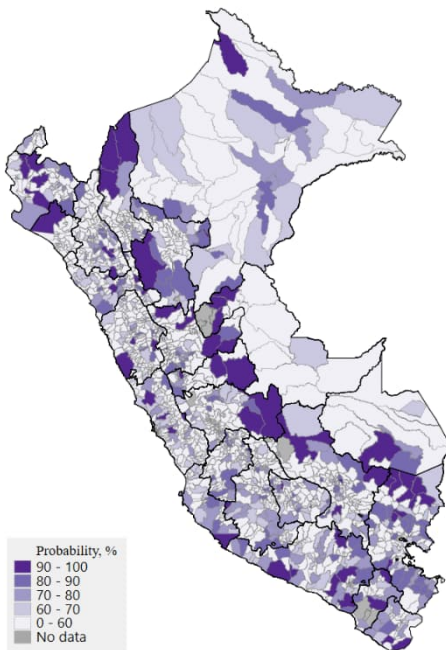
Source: IMF staff calculations.
Note: District-level predicted probability of illegal mining presence.

Illegal Mining Probability by District, 2018 vs. 2024 (percent)



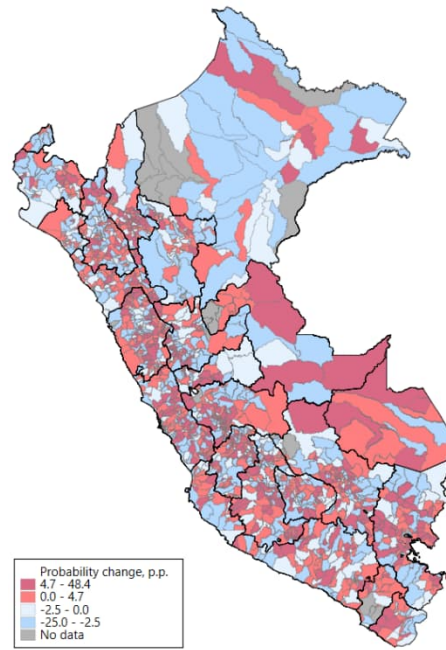
Source: IMF staff calculations.
Note: Underlying observations reflect district-year predicted probabilities of illegal mining presence. Darker colors reflect a higher count of districts for a given combination of probabilities as estimated in 2018 and 2024.

Illegal Mining Probability (district-level average of yearly estimates between 2018-2024)



Source: IMF STA staff estimation leveraging BCRP training data.

Change in Illegal Mining Probability (2021-2024 vs. 2018-2020 district average)



Source: IMF STA staff estimation leveraging BCRP training data. Gray indicates missing data.

11. In 2018, illegal mining was already widespread but relatively stable. The median probability of illegal mining was 38 percent, and 39 percent of districts were above 50 percent probability of illegal mining. While all 25 regions had a positive probability of illegal mining, there is also widespread heterogeneity. For example, the Loreto department had the highest median probability of illegal mining (64 percent) whereas nearby San Martín had the lowest (16 percent). Between 2018 and 2020, illegal mining remained relatively stable, increasing 1.5 pp at the median and with 13 percent of districts experiencing at least a 10 pp increase in probability.

12. Illegal mining has been increasing in the post-pandemic period and accelerated in 2024. The median probability of illegal mining increased 7.8 pp between 2018 and 2024, 4 pp of which occurred between 2023 and 2024. In 2024, 47 percent of districts were above 50 percent probability of illegal mining. The increase in illegal mining has been widespread across the country, with 56 percent of districts across all departments experiencing an increase in probability. The greatest increases occurred in the Amazon and along the Andes range, where both gold and copper are historically mined. However, increases also occurred in areas which previously had very low levels of illegal mining, occurring in 59 percent of districts that were below 25 percent probability on average in 2018-2020.

13. Illegal mining is threatening legal mining and, increasingly, copper production. Illegal mining continues to be more prevalent and to expand in remote areas away from legal mining, as the median increase in probability was higher in districts with no legal mining operations. Nevertheless, it encroaches on legal mining operations; between 2018 and 2024, over 80 percent of districts with legal mining production as reported by MINEM were above 50 percent probability of illegal mining. Notably, illegal mining is expanding into copper production. Between 2018 and 2024, the median probability of illegal mining increased 9.8 pp in districts with legal copper production, compared to 4.8 pp in districts with legal gold production. In 2024, 80 percent of districts with legal copper production were above 50 percent probability of illegal mining, close to the share of districts with legal gold production (82 percent).

D. The Economic and Social Impact of Illegal Mining

14. Staff analytically assessed the consequences of the spread of illegal mining on economic and social outcomes. Absent legal oversight over environmental practices and labor protections, illegal mining causes severe environmental damage and features hazardous working conditions. The illicit nature of the activity weakens local governance and the rule of law, with potential impacts on insecurity, and undermines the formal economy. These could all lead to negative impacts on development outcomes, despite the potentially significant, yet illicit, financial flows they can generate for local communities.

15. The short-run impacts of an increase in illegal mining in a district were estimated using local projections. The year-to-year change in illegal mining for a district i is defined as the difference in the probability of illegal mining between year $t - 1$ and t , or $\Delta p_{i,t} = p_{i,t} - p_{i,t-1}$. The following specification was estimated for each district i and year t :

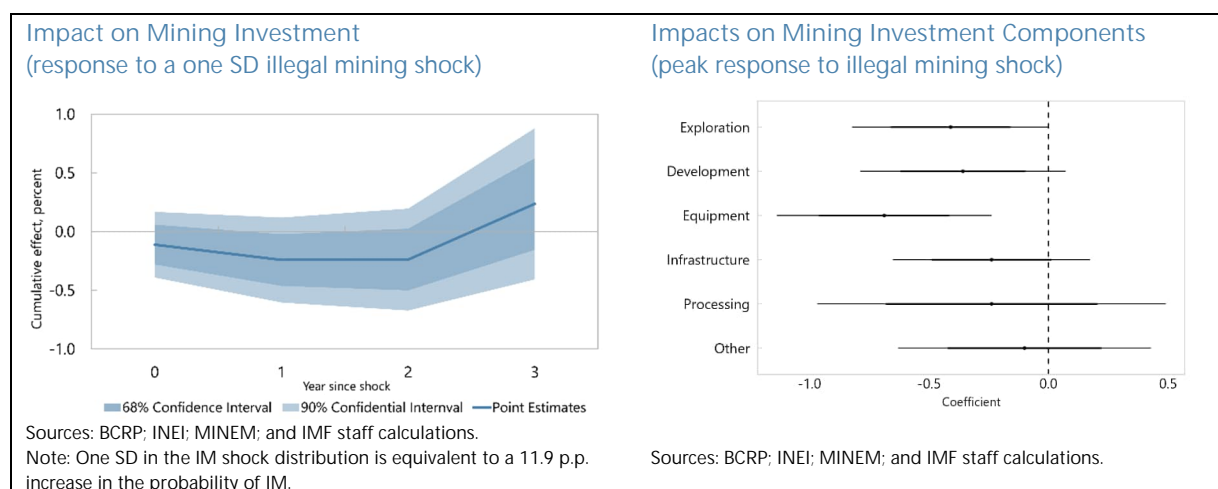
$$y_{i,t+h} - y_{i,t-1} = \alpha_i + \delta_t + \beta_h \Delta p_{i,t} + X_{i,t} + \varepsilon_{it}$$

where y is a district-level outcome of interest, Δp is a year-to-year illegal mining shock, and $X_{i,t}$ is a vector of controls including the logarithm of the per capita level of canon transfers in a district,²² the lagged change of the outcome variable, and the lagged change of the illegal mining shock. District and year fixed effects are captured by α_i and δ_t , respectively, and standard errors are clustered at

²² Districts receive natural resource transfers (the canon) from the central government which are financed by corporate income taxes and royalties levied on legal mining production.

the district level. At each time horizon $h = \{0,1,2,3\}$, β_h measures the difference in outcomes in districts after an illegal mining shock. In the impulse response charts, coefficients correspond to the impact of a one standard deviation increase in the probability of illegal mining.

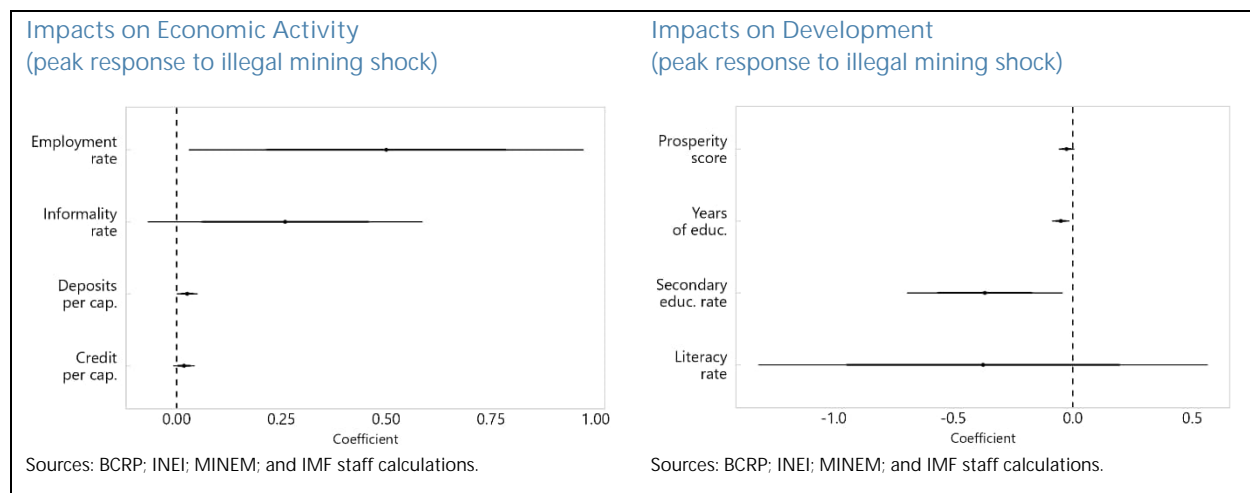
16. Illegal mining has a direct, negative impact on various components of formal mining investment. The analysis uses the Monthly Statistical Declarations (EstaMin) from the Ministry of Energy and Mines (MINEM) on monthly investment values reported by mining companies, by type of investment (exploration, development and preparation, equipment, infrastructure, processing plants, and other). While the results are noisy, in the three years following an illegal mining shock, mining investment responds negatively (0.11-0.24 pp decrease in response to an 11-12 pp increase in illegal mining probability). This negative impact is seen across nearly all components of mining investment. Exploration, development, and equipment (which are commonly targeted by illegal miners) are especially impacted.²³ As illegal mining ramps up in an area, legal mining investment is negatively impacted across all stages of a project's life cycle.



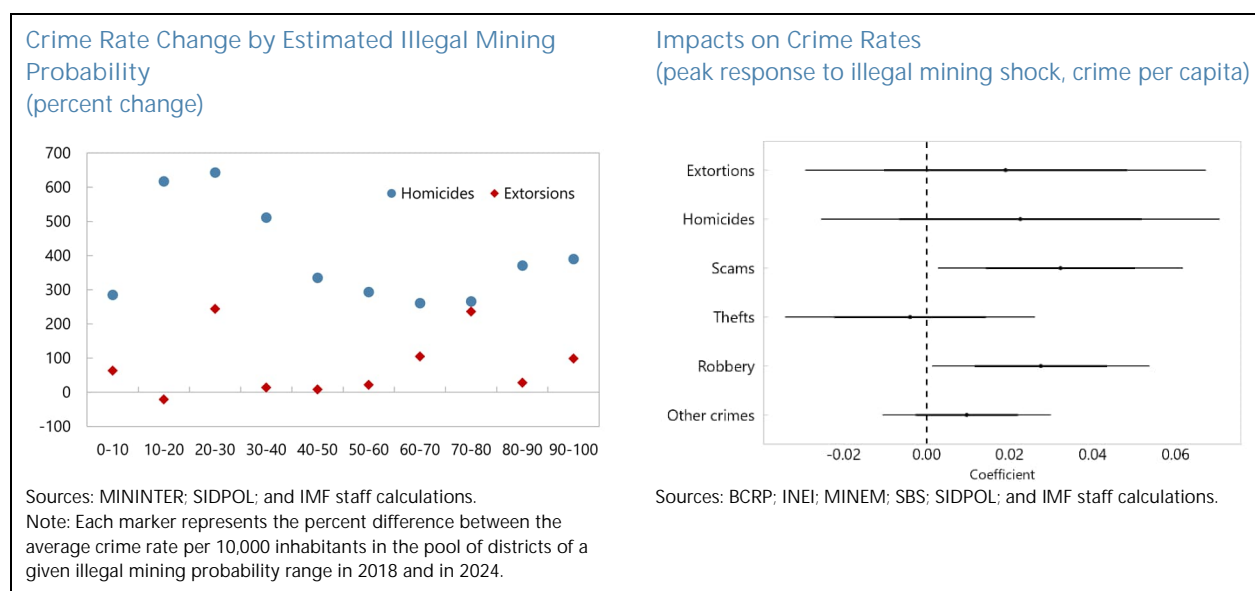
17. Short-run gains in employment and financial dynamism could provide incentives for communities to engage in illegal mining, although the overall impact remains negative. Using data from the National Household Survey on Living Conditions and Poverty (ENAH) and data on financial institution deposits and lending from the District Information System for Public Management (EstaDist), staff analysis finds that districts experiencing an illegal mining shock exhibit higher levels of employment (up to 0.5 pp), even though these employment gains are concentrated in the informal sector. Moreover, to a small extent, deposits and credit per capita rise (up to 0.03 percent and 0.02 percent, respectively), with the increase in deposits concentrated in rural and municipal banks. Nevertheless, the point estimates are small, indicating that much of the illicit flows generated by illegal mining likely both remains as unrecorded cash and leaves local communities. In remote communities with otherwise limited economic opportunities, illegal mining may constitute an important source of employment and income. Despite the potential short-run economic boost, social development outcomes are worse, as districts have lower levels of household living

²³ As an exception, investment in processing plants weakly increases (which accounts for 26 percent of investment over 2018-2024) in the first two years, suggesting that a positive profitability shock could increase both formal and illegal mining production.

standards,²⁴ literacy rates, years of education, and secondary education rates, with most of the negative impacts appearing 1-2 years after the illegal mining shock.



18. The model results do not show a statistically significant link between illegal mining and insecurity in the same district, but other factors likely play a significant and complex role in explaining their relationship. The analysis uses data on reported crimes in the SIDPOL database from the Peruvian National Police. Higher insecurity has been extremely widespread—districts at almost all levels of illegal mining probability experienced higher homicide and extortion rates in 2024 compared to 2018. However, positive illegal mining shocks do not lead to significantly higher increases in crime rates across a range of types, including homicide rates. This suggests several possibilities. First, underreporting crimes is more severe in areas with illegal mining. Second, structural factors, such as weak governance and rule of law, have likely contributed to the concurrent increase in illegal mining and insecurity. Finally, the illegal mining indicator used in the

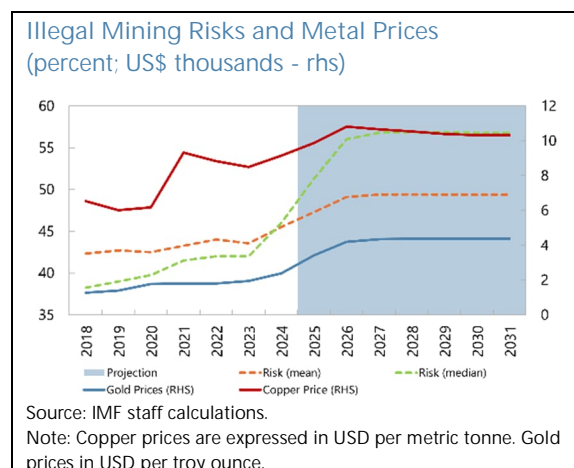


²⁴ The prosperity score is an index of the principal components of the share of households with access to water, sewage, and electricity.

analysis only predicts production, but the complex industrial organization of illegal mining means that it can become linked with insecurity and other illicit activities at other parts of the value chain, often far from production districts. Local projection specifications are not able to test for such spillovers.

E. The Potential Macro-Criticality of Illegal Mining

19. If not tackled, illegal mining could become entrenched. Based on copper and gold price projections between 2025-2031 (WEO, April 2026), illegal mining could increase 11 pp by 2031 relative to 2024 at the median.²⁵ Even if prices were to decline, illegal mining is unlikely to revert to previous levels, as many illegal mining operations required high fixed costs for entry and have accumulated vast resources. The prolonged period of regulatory ambiguity resulting from REINFO extensions has also enabled the capture of many informal mining activities by illegal actors, making it difficult to unwind illegal networks.



20. Several direct and indirect propagation channels could ultimately erode Peru's growth potential.

- *Lower investment.* Illegal mining disrupts and increases risks for legal mining operations, ultimately reducing investment and jeopardizing Peru's position as a reliable destination for mining investment.
- *Higher uncertainty.* Illegal actors distort competition in the mining sector and infiltrate other segments of the economy, with potential impacts on insecurity.
- *Lower productivity.* Illegal mining undermines the formal economy, discouraging small-scale producers from growing and workers from entering formal employment. Illegal mining also worsens social development outcomes in affected districts, leading to lower human capital.
- *Foregone fiscal revenue.*²⁶ By not contributing to tax revenues, illegal mining impairs Peru's ability to address critical social and investment needs.

²⁵ This was calculated in two steps. First, the mean and median illegal mining probabilities estimated across all districts were regressed on yearly copper and gold prices between 2018-2024. Next, the mean and median probabilities were predicted for each year based on copper and gold price projections between 2025-2031.

²⁶ SNMPE (2024) suggest 1.6 billion Soles (0.5 billion USD) per year based on 2022 data, although such estimates also reflect untaxed production happening in prohibited areas. Better enforcement may also generate larger government revenues through direct confiscation, at least as one-offs.

- *Weak rule of law.* Illegal mining weakens the rule of law and property rights, requiring higher private and public spending on security and enforcing property rights.²⁷
- *Weakened financial integrity.* Illegal mining generates substantial illicit proceeds, creating significant ML/TF risks. These proceeds are laundered and ultimately integrated into Peru's formal economy or moved into other jurisdictions to disguise their origin. Detecting and mitigating financial flows linked to illegal mining poses considerable challenges to financial and designated non-financial entities and supervisory authorities, thereby undermining the effectiveness of the AML/CFT framework.

21. While the growth impacts of illegal mining are difficult to quantify, its direct effect on mining investment alone could reduce GDP growth by up to 0.25 pp per year by 2030. Following the historical pattern of response of mining investment to illegal mining, the reduction in the mining capital stock resulting from an 11 pp increase in illegal mining (the estimated increase in the median probability across districts based on current copper and gold price projections, or Scenario 1) could reduce GDP growth by 0.03 pp in 2030.²⁸ Should illegal mining increase more aggressively (Scenarios 2 and 3),²⁹ GDP growth impacts could increase to 0.05 pp. However, mining investment could respond nonlinearly to illegal mining, with more negative impacts at higher levels of illegal mining. While the entire mining project portfolio is unlikely to be halted (Scenario 4), illegal mining affects an estimated US\$12 billion worth of projects (IPE 2025b), which could contribute at least 0.25 pp to GDP growth yearly between 2026-2030.

Annual GDP Growth Impacts of Illegal Mining
(peak impact in 2030, percentage points)

Scenario 1 (lower range)	-0.03
Scenario 2 (middle range)	-0.04
Scenario 3 (higher range)	-0.05
Scenario 4 (entire pipeline)	-0.25

Sources: BCRP; INEI; IPE; MINEM; and IMF staff calculations. Pipeline refers to US\$12 billion worth of projects that may be impacted by illegal mining.

²⁷ Public spending on security is estimated at 0.5-0.7 percent of GDP and private spending on security is estimated at 1.2-1.5 percent of GDP (MEF MMM 2025 and BCRP September 2024 Inflation Report, respectively).

²⁸ This was calculated in a growth accounting framework, using a Cobb-Douglas production function augmented with a mining sector. A capital elasticity of 0.8 was used for mining capital and a steady-state growth rate of the mining sector of 4.3 percent was used to calculate the initial capital stock. A penalty was applied to mining investment projections between 2026-2030, where the penalty was calculated using the peak coefficient of each mining investment component in the local projection regressions, weighted by the share of each investment dimension in total mining investment over 2018-2024. The growth impact steadily increases from -0.002 pp in 2026 to -0.03 in 2030.

²⁹ Two scenarios were considered. Scenario 2 considers that all districts with greater than 50 percent probability of illegal mining in 2024 increase to 100 percent probability. Scenario 3 includes Scenario 2 but also considers that all districts with legal copper and gold production increase to 100 percent probability.

F. A Coordinated Policy Response to Address Illegal Mining

22. Tackling illegal mining requires a multi-pronged approach that begins with closing the existing legal gaps. Repeated extensions of the REINFO have undermined the formalization process and provided legal cover for illegal miners. The new MAPE Law needs to provide a clear pathway to formalization for informal miners, including clearly distinguishing between illegal and informal miners and establishing proper incentives so that formalization is also economically viable. Property rights need to be clear and enforced, via functioning and updated cadasters and mining concession registers as well as an adequate miners' census.

23. Enhancing state capacity would require efforts on security, enforcement, and financial and non-financial sector supervision. Improving state capacity and governance outside of main urban centers, including supporting local authorities' efforts to guarantee law and order, are needed to reduce the opportunities for illegality to spread. Ensuring adequate supervision of formal artisanal and small-scale mining would prevent infiltration by illegal actors. Investigative and enforcement agencies need to be effective in order to credibly tackle illegal mining. Specialized agencies, including the SUNAT, SBS, OEFA, the Public Prosecutor's Office, and the PNP, should be empowered and coordinate to address the multidimensional nature of illegal mining. Their investigative capacity should be strengthened. Such efforts on security and enforcement should be complemented with strengthening AML/CFT supervision of high-risk financial institutions and designated non-financial businesses and professions in areas exposed to illegal mining, such as banks, *cajas municipales*, and dealers in precious metals and stones. Measures to trace and confiscate the associated criminal proceeds could leverage the use of parallel financial investigations in illegal mining cases (including strengthening ongoing cross-border cooperation with neighboring countries) and other components of the AML/CFT regime. The authorities could consider the creation of a specialized investigative unit with a focus on asset tracing and illicit mining-related money laundering investigations, with participation of prosecutors, FIU, customs, and police. Staff integrity vetting should accompany any increase in resources to mitigate corruption risks.

24. Adopting a supply-chain approach is crucial. Understanding the industrial organization and pursuing different actors along the supply chain would maximize the chances of obstructing illegal mining. For example, improved monitoring of sales of restricted inputs—particularly mercury, explosives, and machinery—would strengthen identification of illegal production. Enhanced due diligence requirements and adequate supervision for traders, aggregators, refiners, exporters, and other higher-risk sectors would reinforce preventive measures against illegal mining by disrupting the laundering of illegal production and proceeds in a targeted manner. The authorities can also leverage the beneficial ownership framework for a prioritized verification of entities active in mineral supply chains.

25. Given the regional spread of illegal mining, regional cooperation is essential. Porous borders in the region have facilitated the spread of illegal mining and its related operations. Sustained and coordinated international efforts, such as the recent bilateral discussions between the Chilean and Peruvian governments and global initiatives promoting transparency in mineral products trade, are needed to facilitate the exchange of information and enforce border policies.

26. Ultimately, supply-side policies are needed to improve living standards and reduce the attractiveness of illegal mining in remote areas. These include investing in social development, particularly in education, and deepening financial inclusion to reduce informality and increase productivity. Revamping the fiscal decentralization framework and redesigning natural resource revenue-sharing formulas would also improve the efficiency of public investment and raise local living standards (see 2025 Selected Issues). Sectoral diversification policies would expand economic opportunities in mining communities and provide alternatives to illegality.

Box 1. Legal Gaps in the Fight Against Illegal Mining¹

On January 20, 2026, Peru promulgated a legislative decree amending the Criminal Code to strengthen the fight against illegal mining, addressing some longstanding criminalization gaps. Specifically, the crime of illegal mining was expanded to cover processing or other mining activity to ensure unpermitted downstream processing is criminalized, thus closing a value-chain coverage gap. The decree also increased the minimum sanction from 4 to 5 years of imprisonment and removed the reduced-penalty negligence classification. Moreover, a new Criminal Code article was added on illicit trafficking, criminalizing the storing, transporting, concealing, commercializing, acquiring, exporting, and possessing of minerals originating from informal activities, with a sanction of 6 to 9 years of imprisonment—targeting minerals “laundering” even without a conviction in the upstream extraction case. The decree also strengthens the sanction for illicit trafficking of chemical inputs and machinery for illegal mining from 3 to 6 years to 6 to 9 years of imprisonment. The decree also repealed a provision that previously allowed prosecutors not to prosecute if a suspect voluntarily ceased illegal mining.

While the decree explicitly brings illegal mining offences under the framework for organized crime, existing barriers in the organized crime legislation hinder its effective application. The decree explicitly lists illegal mining crimes within the organized-crime framework, which enables the application of special investigative techniques (interceptions, undercover agents, controlled deliveries) and specialized prosecution/adjudication where the organized crime criteria are met. The decree also increased penalties to bring the minimum sanctioning up to the 6 years minimum required for the “serious crimes” threshold and eligibility for the organized-crime classification. However, earlier amendments of the definition of “organized crime” require proving that the group has a “complex, developed structure” and “greater operational capacity.” The additional requirements impose increased and open-to-interpretation evidentiary burdens.

Other recent amendments to the criminal procedure code and other legislation also hinder the effectiveness of the criminal justice response to illegal mining. For example, “efficient collaboration” provisions (a mechanism for plea bargaining and cooperating witnesses) were amended to prohibit cross-corroboration of multiple statements, shorten timelines, raise evidentiary standards (e.g., requiring independent corroboration, which impacts access to confidential information), and introduce stricter revocation rules. As corruption is deeply intertwined with illegal mining, the recent shortening of the statute of limitations for corruption offences also has negative implications. In 2023, the suspension of the statute of limitations (e.g., if criminal proceedings depend on another process such as lifting parliamentary immunity, extradition, or indictment formalization) was limited to one year, which is particularly challenging for complex corruption and organized crime investigations, where cross-border cooperation and financial investigations in many cases last longer than a year.

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