

Peru

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Peru is a major mineral producer, particularly of gold and copper. The extractive industries generated 11 percent of gross domestic product and 64 percent of exports in 2011. While the petroleum industry is growing, the RGI has focused its analysis on the mining sector, which continues to play an outsize role in Peru's economy. Without a Natural Resource Funds to insulate

Peru	2000	2005	2011
Population (million)	25.86	27.56	29.40
GDP (constant 2011 international \$ billion)	68.0	89.9	176.9
GDP per capita, PPP (constant 2005 international \$)	5,543	6,387	9,037
Oil and gas revenue (% total government revenue)	...	0%	0%
Extractive exports (% total exports)	46%	60%	64%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank.

against price shocks, the nation's economy is vulnerable to fluctuations in global commodity prices. Peru privatized its state-owned mining companies in 1991, and the industry since has attracted considerable investment.

Peru's Performance on the RGI

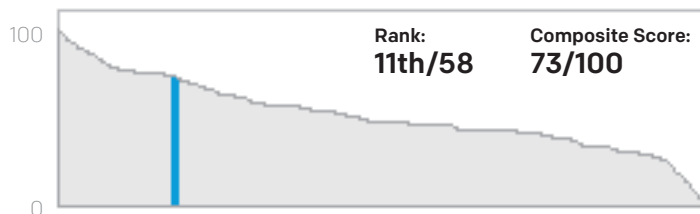
Peru received a "satisfactory" score of 73, ranking 11th out of 58 countries. A high Institutional & Legal Setting score was offset by relatively poor performance on the Enabling Environment component.

Institutional and Legal Setting

(Rank: 2nd/58, Score: 88/100)

Peru received a "satisfactory" score of 88, the product of a comprehensive legal framework and extensive disclosure policies.

The Instituto Geológico Minero y Metalúrgico (INGEMMET) grants mining concessions through an administrative process that verifies land has not been previously claimed. It is open to all companies. There are no contract negotiations, but companies can sign voluntary investment contracts in exchange for tax breaks.



The Organismo Supervisor de la Inversión en Energía y Minería (OSINERGMIN) regulates the industry. Companies pay the government taxes, royalties, and fees at rates fixed by legislation. The Superintendencia Nacional de Administración Tributaria, the national tax agency, collects mining royalties and taxes, and places them in the treasury; INGEMMET collects fees.

Peru requires environmental impact assessments, including a social impact component, and makes the results public. Mining legislation is published, and Peru recently passed a freedom of information law to promote transparency in all public institutions. In 2012 it became the first Latin American country to achieve Extractive Industries Transparency Initiative (EITI) compliant status.

Reporting Practices

(Rank: 6th/58, Score: 83/100)

Peru's government provides comprehensive information on most aspects of the mining industry, resulting in a "satisfactory" score of 83.

Licensing requests are published before decisions are made. Once awarded, licenses must be listed in the Official Gazette before concessions take effect. The Energy and Mines Ministry's website publishes voluntary "stability contracts" and "contracts for investment in exploration" between mining companies and the government.

The Economy and Finance Ministry publishes semiannual reports on production volumes, prices, and royalties received. Reporting by the Energy and Mines Ministry is more comprehensive, including monthly data on reserves, export values, company-by-company production, and revenue streams. Peru's central bank provides information on mineral production, prices, and exports; OSINERGMIN, the regulator, publishes no information. Peru's EITI reports contain information on disaggregated revenues, individual production stream values, and subnational transfers.

Safeguards and Quality Controls

(Rank: 27th/58, Score: 56/100)

Peru's "partial" score of 56 reflects critical gaps in government oversight of the mining industry and an incomplete review process for resource revenues.

Peru's legislature does not review mining concessions and there are no clear limits on INGEMMET's discretion in granting

licenses. Officials involved in extractive industry oversight need not disclose their financial interests in the sector. National accounts are audited by national audit authorities, but the legislature reviews neither mining receipts nor audit reports.

Enabling Environment

(Rank: 17th/58, Score: 55/100)

Peru received a “partial” score of 55, the result of a high global ranking for budgetary openness but a much lower score for the rule of law.

Subnational Transfers

(Rank: 2nd/30, Score: 97/100)

Peru has several mechanisms for transferring funds to local governments. Half of mining companies’ income taxes are distributed as “mining canon” payments to fund infrastructure development projects. Mining royalties also are transferred from the treasury to municipal and regional governments in mineral-producing areas, with a small percentage going to national universities; fees are divided among local governments, INGEMMET, and the Energy and Mines Ministry. The rules for revenue sharing are defined by legislation and published, and the Economy and Finance Ministry and local governments disclose the amounts of the transfers. Mining companies also contribute directly to local development projects through social funds and voluntary contributions to the Programa Minero de Solidaridad con el Pueblo.

Peru’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
11	COMPOSITE SCORE	73
2	Institutional and Legal Setting	88
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	100
	Independent licensing process	100
	Environmental and social impact assessments required	100
	Clarity in revenue collection	100
	Comprehensive public sector balance	0
	SOC financial reports required	..
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
6	Reporting Practices	83
	Licensing process	67
	Contracts	100
	Environmental and social impact assessments	100
	Exploration data	100
	Production volumes	100
	Production value	67
	Primary sources of revenue	67
	Secondary sources of revenue	40
	Subsidies	33
	Operating company names	100
	Comprehensive SOC reports	..
	SOC production data	..
	SOC revenue data	..
	SOC quasi fiscal activities	..
	SOC board of directors	..
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	100
	Subnational reporting of transfers	100
27	Safeguards and Quality Controls	56
	Checks on licensing process	56
	Checks on budgetary process	33
	Quality of government reports	67
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	..
	SOC reports audited	..
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	..
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	83
	Government follows subnational transfer rules	100
17	Enabling Environment	55
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	54
	Open Budget (IBP Index)	85
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	57
	Government effectiveness (WGI)	47
	Rule of law (WGI)	32

 Satisfactory	 Weak
 Partial	 Failing