

**To what extent has illegal gold mining in Peru
become institutionalized through legislative capture and
political financing mechanisms?**

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Introduction

The Problem at Hand

With an estimated \$12 billion in illegal gold exports each year, Peru’s most lucrative criminal industry is no longer operating outside the law; rather, it is actively shaping it. By 2025, the value of illegal gold is estimated to rival that of Peru’s legal mining exports, representing an approximate 2.7% of the country’s GDP. This is not occurring in spite of the state, but rather through it: illegal mining networks finance political campaigns, secure seats in Congress, and subsequently promote legislation that protects and normalises their activities. The result is a self-reinforcing cycle in which illicit gold funds political power, and political power safeguards illicit gold. Most importantly, the REINFO (Registry for Integrated Formalization of Mining Activities) mechanism exempts registered illegal miners from criminal liability and investigation. Peru has created a parallel regulatory system that institutionalizes illegal extraction while hollowing out rights protections.

The consequences are deeply human and environmental. In Madre de Dios, the epicentre of illegal mining, 94% of residents show double the blood mercury levels within the World Health Organization reference limit. Studies show that the air surpasses this limit by five times. Meanwhile, deforestation has reached 139,169 hectares by mid-2025, with 97.5% concentrated in the region. The contamination extends beyond mining zones, seeping into food systems, ecosystems, and public health. Illegal mining has thus evolved from a criminal enterprise into a systemic national crisis, eroding both environmental integrity and democratic governance. The 2026 elections will prove decisive in determining whether this entrenched system is further consolidated or finally challenged.

Institutional Mechanisms: How Did We Get Here?

Artisanal and Small-Scale Mining (ASM) has been a defining feature of Peru's informal economy for much of its modern history. As early as the 1940s, the Peruvian state actively encouraged its expansion by establishing a national mining bank, channelling investment into artisanal gold mining across Madre de Dios, Cusco, and Puno. This institutional support deepened over the following decades: in 1968, rural Amazon miners were granted tax exemptions, and ten years later, Congress had passed the Law to Promote Gold Mining, cementing the sector's place within the national economic framework. The neoliberal turn of the 1990s accelerated this dynamic further, with the 1993 constitution change weakening protections for communal lands, shaping the new era of illegal mining

in the country. Furthermore, foreign capital entered the sector with companies such as Volvo, which began supplying equipment and financing to small-scale miners, embedding extractivist logics into communities that had long operated at the margins of the formal economy.

Any analysis of Peru's mining crisis must begin with a foundational distinction: informal artisanal mining and illegal mining are not interchangeable terms, and conflating them obscures both the scale of the problem and the mechanisms sustaining it. Informal mining refers to small-scale operations that extract minerals from permitted areas but fail to meet the administrative, technical, social, and environmental regulations governing the sector. Non-compliant, but not categorically prohibited. Illegal mining goes further: it operates in areas where extraction is explicitly forbidden, including riverbanks, lakeshores, watershed headwaters, and protected zones such as natural reserves, archaeological sites, and licensed concessions. The boundary between these two categories, however, has become increasingly unstable. The COVID-19 pandemic drove gold prices sharply upward. What had been modest informal operations in regions such as Pataz transformed rapidly, shifting from small teams using basic tools to large-scale enterprises deploying heavy machinery and coordinated mineral transport networks.

REINFO

The legislative framework has created a permissive regulatory environment in which the boundaries between formal, informal, and illegal extraction were not clear. It is within this historically permissive legal tradition that the distinction between informal and illegal mining becomes both crucial and, paradoxically, hard to maintain. This gray zone between artisanal and illegal mining has been further widened through REINFO, an official registry for small-scale miners in the process of formalization, first introduced in 2016. Miners wishing to be registered in REINFO must have an active tax ID, register mining as their economic activity, declare semi-annual production, and register any controlled inputs like mercury. This grants them temporary authorisation to operate, exemption from criminal prosecution for illegal mining, and the ability to sell their gold to companies.

Although REINFO was meant to be a transitional passage to ease miners into formalization, only about 2% of registered miners have completed the full formalization process, leaving the remaining 98% operation under an indefinite, inchargeable, unstable 'temporary' status. Technical expert Iván Arenas told *El Comercio* that of the 31,000 miners the state was due to formalise this year, only 64 did so: a completion rate of 0.002%. This is no coincidence: Article 7 of DS 018-2017-EM grants REINFO registrants protection from criminal prosecution for illegal mining while they remain 'en trámite' (in process), effectively transforming the registry from a pathway to compliance into a shield against enforcement.

That shield has now been in place for over a decade. Originally established as a 24-month scheme, REINFO has been renewed five times, with its current deadline set for December 2026. Each extension was granted despite mounting evidence that formalisation was not occurring, suggesting

that the renewals were not responses to progress, but substitutes for it. The miners do not transition out of informality, and the law does not require them to.

Organized Crime

The registry has also created a laundering pathway. Registered miners can legally sell gold to formal companies, meaning criminal organisations can use REINFO registration to convert illegal capital into an exportable commodity through a state-sanctioned mechanism. Peru's former foreign minister Schialer has estimated the illegal gold economy at seven times the size of the cocaine trade, a figure that becomes analytically significant here: REINFO does not merely fail to formalise miners, it actively provides criminal capital with legal cover.

The suspension of enforcement that REINFO produces on paper becomes, in practice, a territorial reality. In regions where the registry is concentrated, Madre de Dios, Pataz, and La Libertad, criminal groups have assumed effective governance functions through extortion and violence. This is the direct operating environment for the human rights violations documented in these regions: land invasions, killings of defenders, trafficking, and forced labour do not occur despite the regulatory framework, but within the space it creates.

Political Finance & Legislative Capture

Evidence from recent elections indicates that illegal and informal mining groups have become significant financiers of national and regional campaigns. A 2024 study in *Revista PUCP* on the 2016 elections shows how mining associations in Madre de Dios channelled resources to the Fuerza Popular campaign, helping consolidate a legislative bloc hostile to stricter controls on illegal mining. Similarly, a case study for the Global Initiative Against Transnational Organized Crime documents donations from Madre de Dios mining actors to Ollanta Humala's 2011 campaign, arguing that these links shaped subsequent ambiguity in enforcement and formalisation policy.

Today, at least 59 mayors appear in the REINFO registry, and 14 leaders of informal mining organisations hold positions or formal affiliations in national parties represented in Congress, indicating a direct overlap between wardens of illegal mining and formal political office.

The interaction between illegal mining profits, political finance, and permissive legislation generates a self-reinforcing cycle in which illegality becomes structurally embedded in governance. Regional and international assessments estimate that illegal mining in Peru now rivals or surpasses cocaine in economic scale and that 50% of Peru's gold exports may originate from illegal or informal sources, creating a massive pool of capital available for corruption and political spending. These profits are recycled into campaign contributions, local patronage networks, and the capture of municipal and congressional offices, increasing the number of political actors with a direct stake in preserving a permissive regime.

Human & Environmental Impact

The costs of Peru's regulatory permissiveness are not abstract. According to MAAP satellite data, illegal gold mining has destroyed 139,169 hectares of rainforest as of mid-2025, with 97.5% concentrated in Madre de Dios. This figure has been rising consistently since REINFO's successive extensions removed meaningful enforcement pressure. In the past year alone, illegal mining spread from seven to nine Amazonian regions, with over 11,500 hectares deforested in Madre de Dios and a 21% increase in dredgers in the Tambopata National Reserve buffer zone. The geographic expansion of mining directly tracks the expansion of REINFO's protections: as the registry extends, so does the territory in which extraction can occur without criminal consequence.

More than half the population of Puerto Maldonado has blood mercury levels double the WHO reference limit. In Loreto, a recent study found nearly 80% of Indigenous and riverine residents tested above safe mercury thresholds, with average concentrations of approximately 8.4 ppm, nearly four times the WHO reference level. Mercury exposure on this scale produces irreversible neurological damage, with particular severity in children.

Between 2021 and 2024, 14.6% of all mining deforestation in the southern Peruvian Amazon occurred within Indigenous Native Communities, covering over 4,494 hectares across ten communities. This constitutes a direct violation of territorial rights and the principle of free, prior, and informed consent (FPIC) under ILO Convention 169, to which Peru is a signatory. The state's failure to enforce its own environmental and territorial protections in these zones is not incidental to REINFO; it is a structural consequence of it. A registry that suspends criminal liability for miners operating in prohibited areas provides, in effect, legal cover for territorial invasion.

At least 54 environmental and indigenous rights defenders have been killed since 2012. When the law does not protect territory and those who defend it become targets. This is the human rights dimension of legislative capture: the erosion of the rule of law does not occur in the abstract; it occurs on specific land, in specific communities, with specific consequences that the state has chosen not to prevent.

The gendered consequences are equally important. There is a well-documented correlation between large-scale male migration into mining zones and demand for sexual services that rapidly becomes trafficking. In La Rinconada, Peruvian police estimate more than 4,500 women, from Bolivia, Colombia, and Peru itself, are in situations of sexual exploitation in bars frequented by miners. In Delta 1, Madre de Dios, approximately 2,000 sex workers are estimated to be present, around 60% of whom are minors. Peru's 2025 Trafficking in Persons report recorded 76 girls in sex trafficking and 30 children in labour trafficking among identified victims in 2023, figures that represent only those reached by authorities in zones where state presence is already limited.

REINFO's suspension of criminal enforcement in mining territories removes precisely the state presence that would make trafficking and child labour prosecutable. The registry does not cause

these violations directly, but it creates and maintains the institutional vacuum in which they operate without consequence.

General Elections: 2026-2030 Scenarios

General elections are scheduled for April 12, 2026, marking Peru's return to a bicameral legislature for the first time since 1992, with a 60-seat Senate and 130-seat Chamber of Deputies. The vote takes place amid heightened public concern over citizen security, organised crime, and persistent distrust in political institutions, the same conditions under which illegal mining has consolidated. Peru's homicide rate has doubled since 2019, and the country has seen nine presidents in ten years, producing a population that is exhausted by instability.

Currently leading the polls are two right wing candidates: Keiko Fujimori, three-time presidential runner-up and daughter of former dictator Alberto Fujimori, and Rafael Lopez Aliaga, former Lima mayor known for his hardline approach to security and extreme catholic values. A record 36 candidates are contesting the first round, reflecting further the fragmentation of a political system in which no party has a stable majority. The composition of both the executive and the incoming Congress will determine whether the institutionalisation deepens or faces meaningful challenge.

The Illegal Mining Observatory (OMI) has conducted a systematic review of all 36 government plans on the question of illegal mining that reveals the lack of importance the issue has been given in the parties' proposals. Co-author Karina Garay finds that no party assigns adequate importance to the issue considering that it is one of the illegal activities with the greatest criminality in the country. The OMI divides the proposals into three tiers: a first group offers partial strategies of limited ambition; a second reproduces existing state frameworks but have been shown ineffective in the past; and a third that ignores the problem entirely, including four parties that make no reference to illegal mining whatsoever.

Environmental lawyer César Ipenza notes that no government plan addresses the elimination of REINFO's impunity mechanisms, while parties carrying REINFO-registered parliamentary candidates, most notably Alianza para el Progreso, are simultaneously proposing "formalisation without criminalisation," a framing that would entrench rather than dismantle the existing legal shield. Some proposals identified as relatively constructive centre on inter-institutional financial coordination: Avanza País proposes strengthening the Financial Intelligence Unit and creating a digitalised information exchange linking the Superintendency of Tax Administration (SUNAT), the Unit of Financial Intelligence (UIF), the national police, and the public prosecutor's office, while Ahora Nación proposes a plan to establish the geographic origin of extracted gold. Environmental defender protection, however, appears in only one platform, and Indigenous territorial rights are referenced by only a small handful of parties without legally enforceable mechanisms.

Furthermore, no party provides a financing framework for its stated enforcement measures. More fundamentally, no proposal engages with what co-author Manuel Zapata identifies as the

defining structural reality of the crisis: that illegal mining operates at the convergence of narcotrafficking, mercury trafficking, armed groups, and deforestation.

Scenario 1: Consolidation under Fujimori

Keiko Fujimori's proposals regarding illegal mining and the mining sector in general centre on two mechanisms: the completion of SIPMMA (Interoperable System for Small-Scale and Artisanal Mining), a digital interoperability system designed to replace REINFO's traceability issues, and the deployment of mixed command units combining the police, armed forces, prosecutors, and the Superintendency of Tax Administration (SUNAT) in critical areas. On paper, these represent a more technically coherent approach than the current framework. SIPMMA's geolocalisation and input traceability functions would, in theory, make it harder for criminal capital to move through the registry undetected. The mixed commands could restore state presence in territories that have functioned without it for years.

However, the analytical problem is one of institutional continuity. Fuerza Popular, Fujimori's party, was one of the two main parties responsible for extending REINFO in Congress. While Fujimori has stated that she hopes that the REINFO system can be eliminated, the party's proposal does not explicitly close REINFO rather just absorb its functions into SIPMMA without setting an enforceable deadline. A digital registry that inherits REINFO's registered population without first resolving the compliance failures of the original program risks replicating the same dynamic just under a different name. Additionally, the feasibility of a nationwide digital registry like SIPMMA also raises practical questions; it is estimated that only 45% of Perú's population has internet access, and that figure is especially low in rural Amazon communities where there is no internet infrastructure able to facilitate this.

Scenario 2:

Conclusion

This paper began with a question about the extent to which illegal gold mining has become institutionalised in Peru. The more accurate question, by the end of the analysis, is whether it can still meaningfully be called illegal at all. A criminal economy that finances congressional campaigns, registers its operators through a state mechanism that shields them from prosecution, and expands its territorial reach in direct proportion to each legislative extension of that mechanism is not operating outside the law. It has become, in significant measure, the law.

The history of the REINFO over the past decade is part of a larger pattern in which policy tools created for one purpose have been continued in service of another. The goal of formalisation requires that the temporary become permanent, that is, that the miners already registered complete the

administrative, environmental, and technical requirements that will qualify them legally to begin operations. Instead, the temporary has become permanent as each extension of the registry normalises the previous one and makes it increasingly difficult politically not to renew the current one. REINFO's successive extensions, the broadening of its registered population, the gradual normalisation of indefinite temporary status as a de facto permanent condition, these represent a decade-long drift in which the boundaries between informal and illegal, between regulation and protection, have become increasingly difficult to locate.

What makes the 2026 electoral moment significant is not that it offers a clear path out of this arrangement, but that it does not. The OMI's review of all 36 government plans finds no party willing to name, let alone dismantle, the impunity mechanisms at the centre of the crisis. The deforestation continues, the mercury spreads, the defenders are killed, and the registry is renewed, making way for another decade-long phase of extending this problem.