EY PERU OFFICES

Lima
Av. Jorge Basadre 330
San Isidro - Lima
Phone: +51 1 411 4444
Av. Víctor Andrés
Belaunde 171
San Isidro - Lima
Phone: +51 1 411 4444

Arequipa
Av. Bolognesi 407
Yanahuara - Arequipa
Phone: +51 54 484 470

Chiclayo
Av. Federico Villarreal 115,
Salón Cinto
Chiclayo - Lambayeque
Phone: +51 74 227 424

Trujillo
Av. El Golf 591,
Urb. Las Flores del Golf III
Víctor Larco Herrera 13009
Sede Miguel Ángel Quijano
Doig, Trujillo - La Libertad
Phone: +51 44 608 830

EY INFRASTRUCTURE TEAM

- **Manuel Rivera**
  Tax Infrastructure Leader
  manuel.rivera@pe.ey.com
  Phone: +51 1 411 7331

- **Juan José Cárdenas**
  EY Law Projects and Infrastructure Leader
  juan.jose.cardenas@pe.ey.com
  Phone: +51 1 411 3047

- **Enrique Oliveros**
  Strategy and Transactions Lead Partner
  Head of Investment Banking EY Latam North Region
  enrique.oliveros@pe.ey.com
  Phone: +51 1 411 4417

- **Mauro Ugaz**
  People Advisory Services Partner
  mauro.ugaz@pe.ey.com
  Phone: +51 1 411 7414

- **Valeria Galindo**
  People Advisory Services Partner
  valeria.galindo@pe.ey.com
  Phone: +51 1 411 7313

- **Giancarlo Riva**
  Global Trade Services Partner
  giancarlo.riva@pe.ey.com
  Phone: +51 1 411 4444

- **Jorge Leturia**
  EY Law Environmental Leader
  jorge.leturia@pe.ey.com
  Phone: +51 1 417 3561
A NOTE FROM THE PRESIDENT OF PERU

At the end of 2018, Peru just reported an uninterrupted growth of 20 years. This means that our GDP growth was almost 151%, more than doubling our economy during these two decades. There are three important sectors that should be highlighted, which boost our national economy: mining, agriculture, and tourism. Mining represents nearly 10% of GDP, the exploitation of minerals is one of the foundations of the national economy.

This is why EY Peru developed this mining & investment guide. The first, and still the finest, handbook of its kind. This document has been structured to serve as an initial step in the process of evaluating the mining landscape in Peru.

As such, it will be useful to those who contemplate at least the possibility of making long-term investments into the exploration and development of new mines in the country.

This publication has brought together several of the mining industry’s leading professionals from EY Peru, with a mix of legal, tax, economic and accounting backgrounds, to share their unique insights and explain the key elements for a successful expansion by international mining and metals companies into Peru.

Within this guide we have examined various aspects usually taken into consideration by miners and investors from around the world before making critical decisions on the development of new mining operations. Included in this guide is an overview of Peru’s political structure, business environment, macroeconomic profile, key indicators and outlook for the next years, geological potential, mining and metals sector trends and recent developments. The guide also provides access to essential information to assist foreign investors in understanding the regulations governing investment and in particular the legal, taxation and regulatory requirements to operate in Peru’s mining sector.

First published in 2010, this guide has been designed to be easily consulted and to offer a balanced and objective account of areas of potential interest to foreign mining investors. In this sixth edition, we have chosen to leave the general structure of the 2017/2018 edition intact. We have, however, drawn from what we have learned from those who have used this reference booklet and from our own experiences, and included the most recent data available in January 2019 and some additional commentary on a variety of critical topics. The aim is to supply international exploration and mining companies (majors and juniors) with a fact base and critical information to facilitate and support their investment-making discussions and decisions. We hope that this new material will be useful in the efforts to attract greater flows of foreign direct investment and that the flows in turn benefit the country.
subway and the Central highway), that were slowly progressing in the last years, would have a new boost through Government to Government agreements (G2Gs). This agreement was successfully applied for the Panamerican Games Lima 2019. Likewise, G2Gs will also be used as part of an aggressive plan for “packaging” works in strategic sectors as education and health.

Moreover, Peru offers a robust and diversified pipeline in Public-Private Partnerships (PPPs) detailed in this guide. Peruvian experience in the use of this mechanism is stand out. At a glance, between 2011 and 2017, 30 PPPs were awarded for a total amount of US$16 billion. It should be highlighted that the focus is not developing public infrastructure itself. There is an extremely large gap in essential services, deeply emphasized with the pandemic. Thus each project is a step toward improving quality of life for citizens. With this clear purpose in mind, all the endeavor should be driven to deliver high quality public services. Even though great works are expected, operation and maintenance with the highest standard possible, are also necessary to assure increasing living conditions.

From a tax standpoint, Peruvian legislation offers outstanding benefits that should be considered to determine the profitability of a business. Some examples are: tax stability agreements by which corporate income tax and dividend withholding tax freeze during the entire period of a project; foreign currency accounting; special and accelerated tax depreciation and amortization rates; early recovery of VAT, among many others.

I am very excited to introduce this guide for stakeholders and potential investors in the infrastructure field. It is the result of a joint effort from a diverse team, with different background experiences and perspectives, but mostly with the same passion for promoting Peruvian investment opportunities. According to a reliable source, Peru's gap in infrastructure, up to 2025, will be US$160 billion therefore we are committed to impulse its prompt reduction.

We could not have chosen a better timing. Our country is still struggling with COVID-19 and its collateral effects in our economy. In this challenging scenario, it is well known that public investment is a great driving force to stimulate the market, in terms of providing rapidly private companies new options to offer their goods and services, as well as creating new jobs opportunities.

Recently, our President Martín Vizcarra, announced that some of the most attractive megaprojects (as Lines 3 and 4 of Lima
I am very glad to introduce the first edition of the EY Peru Infrastructure Guide. It has the main purpose of serving as a tool for documentation and evaluation of the infrastructure field in Peru, in order to offer to foreign investors a real and recent view of such Peruvian market and to encourage them to know and take advantage of the offered opportunities.

Because of COVID-19, we are experiencing extraordinary, dramatic and life changing events. Peruvian economy in particular, aligned with global economy, needs urgently to be energized. To such effect, public and private investments are fundamental. As a first step to do so, nothing better than clear and updated information, as the one included in this publication.

In this way, EY reaffirms its commitment to contribute to the progress of the country and the growth of companies. Our intention is to offer readers a friendly and concise overview of the economic performance and business environment in Peru.

We express our deepest thanks to our President of Peru, to our Ministry of Foreign Affairs and to ProInversión, as well to all my EY team, for the collective collaboration to prepare and offer this guide, which includes the current project pipeline detailed on section 3.4.

We invite you to contact us if you have questions and we wish you the best for all the investment opportunities you find in Peru.
We have chosen a good timing for it. Peru's gap in infrastructure, up to 2025, will be US$110 billion. We are committed to impulse its prompt reduction. Moreover, our country is still struggling with COVID-19 and its collateral effects in the economy. In this challenging scenario, it is well known that public investment is a great driving force to stimulate the market, in terms of providing rapidly private companies new options to offer their goods and services, as well as creating new jobs opportunities.

Peru has followed this path. Recently, our President Martín Vizcarra, announced that some of the most attractive megaprojects (as Lines 3 and 4 of Lima subway and the Central highway), that were slowly progressing in the last years, would have a new boost through Government to Government agreements (G2Gs). This type of agreement was successfully implemented in the Panamerican Games Lima 2019. Likewise, G2Gs will also be used as part of an aggressive plan for "packaging" works in strategic sectors as health, education, water and sanitation.

It should be highlighted that the focus is not developing public infrastructure itself. There is an extremely large gap in essential services, deeply emphasized with the pandemic. Thus, each project is a step toward improving quality of life for citizens. With this clear purpose in mind, all the endeavor should be driven to deliver high quality public services. Even though great works are expected, operation and maintenance with the highest standard possible, are also necessary to assure increasing living conditions.

We hope this guide would provide an holistic panorama of Peruvian investment climate and would help as a starting point for canalizing your interest in our country. We invite you to enjoy this guide and contact us should you have questions or need special assistance.

The pandemic is revealing the importance of infrastructure. We must keep in mind that its ultimate goal is improving living conditions through the provision of high-quality public services.

I am very excited to introduce this guide for stakeholders and potential investors in the infrastructure field. It is the result of a joint effort from a diverse team, with different background experiences and perspectives, but mostly with the same passion for promoting Peruvian investment opportunities.
In this spirit, we have comprised in this guide the most recent data on the current Peruvian infrastructure gap, an overview of the infrastructure opportunities by sector (roads, railways, healthcare, water & sanitation, education, telecom, among others), a projects pipeline as well as a section covering the financing of infrastructure projects in Peru.

Furthermore, you will find in this guide a thorough section on the most relevant characteristics of the Public Private Partnerships (PPP), Work for Taxes and Government to Government (G2G) frameworks as well as an overview of the main legal, tax, labor, environmental and custom tax matters that are relevant for any potential investors in infrastructure in Peru.

Peru, as a country, has gotten valuable experience of promoting foreign and domestic investment in infrastructure during the last thirty years. However, our infrastructure gap is still huge and the COVID-19 collateral effects would make nothing but increase the need and urgency of closing such gap.

We can expect, then, a second wave of infrastructure investment in the coming years, leveraging on the lessons learned in the recent years and the strengths that Peru has been able, with great efforts of all its citizens, to achieve. We hope this guide helps any interested entities and individuals in participating in this next wave, whether as investors, lenders, advisors or in any other role, as a starting point to explore such interest.

Our legal system is very flexible. All the benefits of G2Gs and PPPs might be exploited in the same infrastructure project.

We are living challenging times for everyone, not only in Peru but in the entire world. Times that requires, probably more than ever, promoting public and private investment in infrastructure in all countries but even more in emerging ones, such as Peru, to close the infrastructure gap and provide quality and adequate service to our citizens.

This is the main purpose of the Peru's Infrastructure Investment Guide 2020/2021 that we have prepared, aimed as being as useful tool for any private investors, banks and other financial institutions, multilateral organizations and governmental entities interested in exploring and assessing Peruvian investment opportunities in infrastructure.
Countries all around the world need to invest huge amounts of money in infrastructure. Growing population, rapid urbanization, emergence of new technologies and climate change will accelerate demand for new infrastructure. Experts suggest that at least 5%-6% of GDP should be invested annually on infrastructure and this figure is even higher for developing countries that have large infrastructure gaps. EY studies estimate that over 75% of the infrastructure needed for 2050 is still to be developed.

We should highlight that investment in infrastructure is a global challenge, not only a concern for developing countries. While developing countries need to build non-existent infrastructure; developed nations need to replace old infrastructure, adapt existing infrastructure to new technologies or regulatory demands and do all this while addressing growing concerns on climate change that require the deployment of resilient infrastructure.

Capital requirements are significant and the public sector, especially in developing countries, can only provide a small amount of funds to develop the much-needed infrastructure. In this scenario, the public sector must play a new role of promoting private investment in infrastructure and setting rules that through transparent mechanisms allow private investors to provide their share of capital to develop infrastructure.

Public-private partnerships (PPPs), privatizations, concessions, government to government (G2Gs) agreements are some of the mechanisms used globally to canalize private investment to infrastructure projects. In developing countries, these mechanisms have proved to be very useful in giving people access to energy, water or telecom services or providing them with better quality services.

Peru has a proven track-record of developing infrastructure projects in partnership with the private sector and is recognized as a regional leader.

Peru has a proven track-record of developing infrastructure projects in partnership with the private sector. Since the mid 90’s, our country has successfully used different mechanisms to procure infrastructure development and is recognized as a regional leader based on its strong macro figures, a good regulatory framework and our government’s commitment with PPPs and concessions.

A new generation of infrastructure projects including sub-sovereign transactions, “green” projects, climate-resilient projects as well as “traditional infrastructure” is to be released and we expect this Guide to be useful for potential investors that are evaluating doing business in Peru.
commitment to promoting the development of projects through the National Infrastructure Plan for Competitiveness (PNIC) that prioritizes 52 projects for an investment amount of around US$30 billion, of which, more than 60% will be executed in the Public-Private Partnership (PPP) modality.

Currently, the portfolio of mature projects, mainly in the PPP modality, promoted by ProInversión exceeds US$5.9 billion. There are 22 projects that will be awarded, or called for tender, before July 2021, among which are the Huancayo Huancavelica Railway project (US$232 million), the Natural Gas Massification project in 7 central and southern regions of the country (US$200 million), the Headworks project, to increase and ensure the supply of water within the city of Lima (US$600 million), the Ancón Industrial Park (US$650 million), 5 electricity transmission projects (US$235 million), 2 hospital projects (US$254 million), 1 highway project in the central highlands (US$280 million), 1 urban connectivity project in Lima and Callao (US$2,049 million), 1 telecommunications project (US$291 million), 2 wastewater treatment plants and sewerage networks (US$222 million), 5 educational infrastructure projects (US$603 million) and a mining-hydraulic development project (US$350 million in a first stage).

For all these projects, international public tenders will be called through which the aim is to generate competition and attract the best global operators in order to ensure the provision of services with high quality standards throughout the concession period.

Peru has been one of the fastest growing economies in the region in the last two decades, maintaining stable macroeconomic policies that have made it possible to promote private investment and boost the growth of the domestic market, while developing a clear policy of integration with the international markets.

The good performance of the Peruvian economy is widely recognized not only by risk rating agencies, which project a stable scenario for the country, despite the current scenario, but also by the main institutional investors who maintain appetite for the Peruvian sovereign bonds. This reflects future confidence in the proper management of the economy and the evolution of the main economic indicators.

The good prospects for the Peruvian economy are mainly based on the boost in the construction sector and associated activities, which sustains a growing investment dynamic thanks to the development of large infrastructure projects awarded in recent years. Added to this is the Peruvian government's

A NOTE FROM PROINVERSIÓN

Rafael Ugaz
Executive Director,
ProInversión
rugaz@proinversion.gob.pe
Phone: +51 1 200 1200
It should be noted that in Peru foreign investment can be developed freely under the same conditions as domestic investment and is not subject to compliance with performance requirements. Additionally, Peruvian regulations contain special regimes that guarantee the invariance of relevant aspects for the development of investments such as; the free movement of capital, free competition and the guarantee of private property. This policy is based on the conviction that private investment should be the engine of growth, and for this we require the concurrence of national and foreign capital to promote the development of the enormous opportunities that the country presents.

From ProInversión - Agency for the Promotion of Private Investment, as a State agency in charge of promoting and facilitating private investment in Peru, we assist the investor both in the prospecting, establishment and post-establishment stages. ProInversión's portfolio contains projects that will make an important contribution to improve the country's connectivity and competitiveness, and at the same time to begin to meet the needs of social infrastructure, whose coverage of the gap will further strengthen the bases for sustained growth.

We invite investors to explore investment possibilities in Peru and share the benefits of its promising development.
# CONTENT

## BACKGROUND INFORMATION
1. Government 14
2. Geography 15
3. People 16
4. Currency 17
5. Economic Overview 18

## BUSINESS ENVIRONMENT
1. Infrastructure Investment 26
2. Investment Grade Rating and Country Risk 27
3. Investment Promotion Conditions 30
4. Trade Agreements 34

## INFRASTRUCTURE POTENTIAL
1. Infrastructure Potential 37
2. Overview by Sector 38
3. Private Investment in Infrastructure 47
4. Project Pipeline for Closing Gaps 56
   1. Public Private Partnerships Project Pipeline 56
   2. Work for Taxes Pipeline 72
   3. Government to Government Pipeline 75
   5. Access to Infrastructure Financing 76

## LEGAL FRAMEWORK
1. Promotion of the Private Investment 85
2. Public Private Partnership (PPPs) 87
3. Projects in Assets (PA) 91
4. Work for Taxes (WT) 91
5. Government to Government Agreements (G2G) 95

## TAX FRAMEWORK
1. Peruvian General Tax Considerations 98
2. Special Tax Rules: Construction Services 102

## LABOR FRAMEWORK
1. General Labor Regime 107
2. Special Labor Regime for Civil Construction 108
3. Intermediation and Outsourcing Services in Civil Construction 110
4. Main obligations regarding surveillance, prevention and control of COVID-19 in civil construction workers 112
5. Employments Contracts for Individual who will Perform Activities in Peru 113
6. Migratory Aspects 114
7. Individual and Labor Taxes 116

## GLOBAL TRADE FRAMEWORK
1. Customs Taxes 121
2. Free Trade Agreements and other Commercial Agreements 123
3. Restricted or Prohibited Goods 124
4. Temporary Admission for Re-exportation in the Same State 126
5. Bonded Warehouses 126

## ENVIRONMENTAL ASPECTS
1. Overview 128
2. Legal Framework 128

## APPENDIX
> Principal Regulatory and Promotion Entities 134
> Economic Promotion Institutions 138
> Our Services 148
> EY Thought Leadership 151

## ACKNOWLEDGEMENTS
152
GOVERNMENT

Peru is a constitutional democratic republic with a multi-party system. Under the current Constitution of 1993, the President is the Head of State and Government, elected for a five-year period, without the possibility of running for immediate re-election. A constitutional amendment passed in the year 2000 prevents immediate presidential re-election but allows unlimited non-consecutive terms.

The President designates the Prime Minister and the rest of the Cabinet. There is a 130-member unicameral Congress elected for a five-year term. Bills may be proposed either by the Executive or by the Legislative Branches, and they become law after being passed through Congress and enacted by the President. The Judiciary and the National Electoral Board are independent institutions.

The Peruvian Government is directly elected, and voting is compulsory for all citizens between the ages of 18 and 70. In the most recent democratic elections of 2016, Pedro Pablo Kuczynski was elected President of the Republic of Peru; however, he offered his resignation in the face of an impeachment vote. Peru's first vice president, Martín Vizcarra, was sworn as president on March 23, 2018 and will hold the post until July 2021. President Vizcarra appointment was widely applauded by international leaders and markets because it represented the sustainability and improvement of investment-friendly policies.

Country overview

Government type
Constitutional republic

Legal system
Based on civil law

Executive branch
- Chief of state and head of government: President Martín Vizcarra Cornejo (since March 2018).
- Elections: Every five years by popular vote (non-consecutive re-election). Next elections: April 2021.
- Cabinet: Council of Ministers is appointed by the president.

Legislative branch
- Unicameral congress.
- 130 seats.
- Members elected by popular vote, for five-year term (non-consecutive re-election).

Judicial branch
Judges are appointed by the National Council of the Judiciary: renamed National Justice Board after the 2018 Referendum.

Main international relationships
- Member of the United Nations since 1945, member of the Security Council between 2006 and 2007.
- Member of the World Trade Organization since 1995.
- In 1998 became a member of the Asia Pacific Economic Cooperation (APEC) forum.
- In 2011 formed the Pacific Alliance with Chile, Colombia and Mexico.

Sources: Peruvian Constitution, Ministry of Foreign Affairs
GEOGRAPHY

Located on the west central coast of South America, Peru is bordered by the Pacific Ocean to the west, Chile to the south, Bolivia and Brazil to the east, and Colombia and Ecuador to the north. With a total land area of 1.29 million km², Peru is the third largest country in South America after Brazil and Argentina. It may be divided geographically in three regions:

- The Coast (Costa), which is a narrow desert strip 3,080 km long that accounts for only 11.7% of Peru's territory even when it contains approximately 19 million inhabitants. Lima, the political and economic capital of the country is located in this region.

- The Highlands (Sierra), which consists of the Andean Mountain Range, covers 27.9% of the territory and contains almost 10 million inhabitants. This region contains the country's major mineral deposits.

- The Amazon Jungle (Selva), is the largest region occupying 60.4% of Peru's territory and contains 3.6 million inhabitants. This region is rich in petroleum and forestry resources.

Sources: BCRP, INEI
The estimated population of Peru for the year 2020 is 32.6 million, of which 10.6 million (32.6%) reside in Lima, the capital of the country. The urban and rural population is distributed in 79.3% and 20.7%, respectively. The population of the Coast accounts for 58%, the Highlands 31%, and that of the Jungle is 11%.

Before COVID-19, the Economically Active Population (EAP) was 17.4 million (53% of total population) giving the country a beneficiary “demographic bonus” effect.

Having freedom of belief and religion, the predominant religion is Roman Catholicism. On the other hand, the main official languages are Spanish and Quechua. Aymara is also spoken in some parts of the southern Highlands region of the country.

With respect to the literacy rate, 94.4% age 15 and over can read and write.
CURRENCY

The Peruvian currency is the Sol (former “Nuevo Sol”) (S/ or PEN). The Central Reserve Bank of Peru (BCRP) conducts a managed floating regime for the exchange rate of the Peruvian Sol (PEN) versus the US Dollar (US$). The Bank allows the market to determine the value of the currency, although it intervenes to avoid large fluctuations.

During 2019, the US$ to S/ exchange rate reflected an appreciation of the Sol of 1.63% on average in the context of a still financially dollarized economy. Historically, the Peruvian Sol reached an all-time high of S/3.65 per US$ in September of 2002 and a record low of S/1.28 per US$ in August of 1992.

Banks are currently (as of August 17, 2020) buying US$ at S/3.573 and selling US$ at S/3.576. Parallel market rates are slightly different.

There are no restrictions or limitations on holding bank accounts in foreign currency or to emit funds abroad.

The BCRP started targeting inflation in 2001 and is now committed to keeping the annual inflation rate within a target range of 1% to 3%. The central bank's commitment to stable inflation has favored inflows of capital as well as exchange rate stability.

The annual inflation rate was 1.9% in 2019, remaining among the lowest in the region (2.2% in 2018). The Bank's officials also expect inflation to finish 2020 with an estimate of 0.0%.

Appreciation / Depreciation and inflation exchange rate

*Exchange rate estimated at S/3.40 and inflation forecast according to the Inflation Report of June 2020
Source: BCRP

*Forecast as at June 2020
Source: BCRP
The country has had continuous economic and political stability since the early 1990s. It is a very diverse country due to climatic, natural and cultural variations of its regions; Peru's economy reflects its varied geography, an arid coastal region, the Andes further inland, and tropical lands bordering Colombia, Brazil and a portion with Bolivia. It has rich deposits of copper, gold, silver, lead, zinc, natural gas and petroleum. Abundant mineral resources are found mainly in the mountainous areas, and Peru's coastal waters provide excellent fishing grounds.

Main economic activities by region

Source: University of Texas - Perry Castaneda Library Map Collection
Peru has been one of the region's fastest-growing economies, over the past two decades, in a context of low inflation. Due to prudent macroeconomic policies, investor friendly market policies and the government's aggressive trade liberalization strategies, Peru has achieved significant advances in social and development indicators as well as dynamic GDP growth rates, reduction of external debt, a stable exchange rate and low inflation.

Following a 2.2% GDP growth in 2019, Peru would face a drop-in output in 2020 of almost 12% of its GDP after being one of the first countries in the region to impose a lockdown to stop the spread of coronavirus. Nevertheless, Peru's economic stimulus plan equivalent to 12% of GDP will speed up the recovery in 2021 with an expected growth rate estimated in 7% to 8% of its GDP.

Peru's economic overview

Sources: BCRP, Ministry of Economy and Finance (MEF), INEI, International Monetary Fund (IMF)
Peru's rapid expansion has helped to reduce the national poverty rate from 48.5% in 2004, to 20.2% of its total population in 2019. Extreme poverty declined from 17.4% to 2.9% over the same period. These results are consequences of the consistency in the economic policies taken by the governments that are also reflected in the sustained growth of the economy. In 2019, Peru accumulated 20 years of continuous GDP growth. It is expected that COVID-19 will severely impact such achievements.

Gross Domestic Product - GDP (in US$ billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>148</td>
</tr>
<tr>
<td>2011</td>
<td>172</td>
</tr>
<tr>
<td>2012</td>
<td>193</td>
</tr>
<tr>
<td>2013</td>
<td>201</td>
</tr>
<tr>
<td>2014</td>
<td>201</td>
</tr>
<tr>
<td>2015</td>
<td>190</td>
</tr>
<tr>
<td>2016</td>
<td>192</td>
</tr>
<tr>
<td>2017</td>
<td>211</td>
</tr>
<tr>
<td>2018</td>
<td>222</td>
</tr>
<tr>
<td>2019</td>
<td>227</td>
</tr>
<tr>
<td>2020*</td>
<td>199</td>
</tr>
</tbody>
</table>

Source: BCRP

Gross Domestic Product by Industry (Annual % Change)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Livestock</td>
<td>4.1</td>
<td>5.9</td>
<td>2.7</td>
<td>1.6</td>
<td>3.5</td>
<td>2.7</td>
<td>2.8</td>
<td>7.8</td>
<td>3.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Fisheries</td>
<td>52.9</td>
<td>-32.2</td>
<td>24.8</td>
<td>-27.9</td>
<td>15.9</td>
<td>-10.1</td>
<td>4.7</td>
<td>47.7</td>
<td>-25.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Mining</td>
<td>-2.1</td>
<td>2.5</td>
<td>4.3</td>
<td>-2.2</td>
<td>15.7</td>
<td>21.2</td>
<td>4.5</td>
<td>-1.7</td>
<td>-0.8</td>
<td>-10.2</td>
</tr>
<tr>
<td>Hydrocarbons</td>
<td>5.1</td>
<td>1.0</td>
<td>7.2</td>
<td>4.0</td>
<td>-11.5</td>
<td>-5.1</td>
<td>-2.4</td>
<td>0.0</td>
<td>4.6</td>
<td>-14.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.6</td>
<td>2.5</td>
<td>4.9</td>
<td>-3.6</td>
<td>-1.5</td>
<td>-1.4</td>
<td>-0.2</td>
<td>5.9</td>
<td>-1.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>7.6</td>
<td>5.8</td>
<td>5.4</td>
<td>4.9</td>
<td>5.9</td>
<td>7.3</td>
<td>1.1</td>
<td>4.4</td>
<td>3.9</td>
<td>-7.9</td>
</tr>
<tr>
<td>Construction</td>
<td>3.6</td>
<td>15.8</td>
<td>9.0</td>
<td>1.9</td>
<td>-5.8</td>
<td>-3.2</td>
<td>2.1</td>
<td>5.3</td>
<td>1.5</td>
<td>-25.4</td>
</tr>
<tr>
<td>Commerce</td>
<td>8.9</td>
<td>7.2</td>
<td>5.9</td>
<td>4.4</td>
<td>3.9</td>
<td>1.8</td>
<td>1.0</td>
<td>2.6</td>
<td>3.0</td>
<td>-23.6</td>
</tr>
<tr>
<td>Other Services</td>
<td>7.0</td>
<td>7.0</td>
<td>6.1</td>
<td>5.1</td>
<td>4.1</td>
<td>4.1</td>
<td>3.3</td>
<td>4.4</td>
<td>3.8</td>
<td>-9.9</td>
</tr>
<tr>
<td>GDP</td>
<td>6.5</td>
<td>6.0</td>
<td>5.8</td>
<td>2.4</td>
<td>3.3</td>
<td>4.0</td>
<td>2.5</td>
<td>4.0</td>
<td>2.2</td>
<td>-12.5</td>
</tr>
</tbody>
</table>

Source: BCRP
Composition of Peru's Gross Domestic Product (GDP) by Economic Sector in Percentage, using the Economic Structure with a Base Estimate Year of 2007

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>16.5%</td>
</tr>
<tr>
<td>Mining and Hydrocarbons</td>
<td>14.4%</td>
</tr>
<tr>
<td>Commerce</td>
<td>10.2%</td>
</tr>
<tr>
<td>Agriculture and Livestock</td>
<td>5.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>5.1%</td>
</tr>
<tr>
<td>Transport and Couriers</td>
<td>5.0%</td>
</tr>
<tr>
<td>Public Administration and Defense</td>
<td>4.3%</td>
</tr>
<tr>
<td>Services Provided to Companies</td>
<td>4.2%</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>3.2%</td>
</tr>
<tr>
<td>Accommodation and Restaurants</td>
<td>2.9%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2.7%</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>1.7%</td>
</tr>
<tr>
<td>Fisheries</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other Services</td>
<td>14.9%</td>
</tr>
<tr>
<td>Import Duties and other Taxes</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

Source: National Institute of Statistics and Information (INEI)

The country's macroeconomic resilience has much to do with the competent monetary and fiscal policy pursued particularly over the last decade, with falling levels of public indebtedness (from 44.7% of GDP in 2004 to just 26.8% in 2019), among the lowest of the region. Additionally, before the COVID-19 the fiscal balance remained stable without exceeding the 3% in the last years. The following charts presents preliminary estimations of the COVID-19 impacts.

Fiscal Balance (% of GDP)

Source: BCRP
**BACKGROUND INFORMATION**

### Government Gross Debt (% of GDP)

![Graph showing Government Gross Debt (% of GDP) from 2003 to 2020.](image)

Source: BCRP

### General Government Gross Debt in the region (% of GDP)

![Graph showing General Government Gross Debt in the region (% of GDP) from 2017 to 2020.](image)

*Forecast
Sources: International Monetary Fund (IMF), BCRP

Furthermore, despite the world economy fluctuations and supply shocks, foreign reserves represent approximately 29.6% of Peru's GDP reaching US$74.3 billion in July 2020.

### Foreign Reserves (in US$ millions)

![Graph showing Foreign Reserves (in US$ millions) from 2003 to 2020.](image)

*Forecast as at June 2020
Source: BCRP
The main rating agencies - Standard & Poor's, Fitch and Moody's - upgraded Peruvian sovereign debt to investment grade a decade ago. Peru also benefits from strengths such as the fairly large size of its market and its sophisticated and rather deep financial sector. This has gone hand in hand with trade and foreign direct investment (FDI) opening, operational independence of the central bank, and maximization of the revenues from the country's rich natural and mineral resources, with expenditures keeping pace. Among the countries that invest the most in Peru are Spain, the United Kingdom, the United States and Chile. Nearly a quarter of the total FDI is attracted by the mining sector and nearly half is split among the financial, communications and energy sectors.

As a country endowed with natural resources, Peru exports goods that are highly subject to price volatility, whereas it imports industrial goods, prices of which are less volatile.

The country has benefited from a steady improvement in its terms of trade since 2000, which has had a positive impact on the trade balance. Moreover, the country has engaged in several bilateral and multilateral trade agreements that have opened new markets for its exports.

In 2019, Peru's total exports reached US$47.7 billion. The trade balance recorded a surplus of US$6.6 billion and US$7.2 billion in 2018.

Although the external sector's contribution to economic growth has been diminishing, exports have remained strong. Increased output of minerals, especially copper, allowed for the surge in exports in 2019. The main detraction from the external sector's contribution to growth stemmed from increasing imports, although capital goods imports have remained at healthy levels. Peru's imports are mainly composed of final and intermediate goods, as opposed to exports, in which minerals and ores account for most overseas sales.

Trade Balance (in US$ billions)

*Forecast as at June 2020
Source: BCRP
According to preliminary information published by the Central Reserve Bank, Peru's economy will decrease in 2020 because of the impact of COVID-19. However, the economy is expected to remain on a solid footing in 2021, as internal and external demand will stimulate Peruvian production and exports, and government's efforts to cut red tape should boost private investment. As in past external economic crises and recession episodes where Peru has recovered rapidly its growth path, the country stands out for its sufficient macroeconomic stability and strength to face the health and economic crisis. Proof of this has been the considerable economic rescue package for enterprises and families, one of the largest among the countries in the region, to revive the economy and ensure health attention to the population.
INFRASTRUCTURE INVESTMENT

It is expected that Peru will realize its full economic potential after reducing its infrastructure gap and bottlenecks. In the last decade, Peru has begun to take the necessary measures to improve its infrastructure in transport facilities, electricity, water and communications in order to promote new investments which will contribute to the development of the productive sectors of the country.

Peru is focused on promoting the development of the infrastructure for its positive impact in the GDP through the production of transport services, the supply of water and electricity, sanitation and telecommunications. Infrastructure investments generate positive externalities within the country that will accelerate long-term growth. Additionally, the investment in infrastructure indirectly influence the productivity of the firms and all the supply chain in the economy so that all productive factors increase their productivity. In this sense, firms will benefit from the increase of competitiveness by the reduction of costs, increase of economies of scale, efficiency on supply chain, extension of storage and facility of distribution. Not only firms will benefit but also the population will increase their quality of life by covering their basic needs and accessing better public services, necessary to get out of poverty permanently. The developing of infrastructure has a positive impact on human capital and its competitiveness in the medium and long term.

In 2019, the government presented the National Infrastructure Plan for Competitiveness (PNIC), a fundamental document in the management of closing gaps for the economic and social development of the country. The document has a methodology for prioritizing projects that enhance the country's productivity and competitiveness.

The PNIC estimates a long-term infrastructure gap of approximately US$110 billion, where 44% is concentrated in the transport sector, followed by the sanitation (20%), health (16%) and water (7%) sectors. Additionally, as part of the prioritization methodology, 52 projects are listed for a total of approximately US$30 billion in order to have a timely impact by developing the internal market, promoting access to the external market and improving the quality of life of the population. The PNIC does not replace or substitute another initiative of sectors or regions. There is still work to do in projects regarding social infrastructure which are not included in the PNIC; the planning of the projects must be seen as a dynamic exercise where more initiatives can be included (See more in section 3.1).

The government is working to increase public and private investment in infrastructure and creating the mechanisms to give continuity to its policies. To close the infrastructure gap, different investment mechanisms must be used: public works, Public-Private Partnerships, Work for Taxes, and Government-to-Government (G2G) agreements.

The effort for closing the infrastructure gap requires the active participation of the private sector. In this sense, the Peruvian government has become very proactive providing incentives to develop investment projects. Peruvian laws have incorporated Public-Private Partnerships
(PPPs), a modality of private investment participation. PPPs are executed under the form of concession, operation, management, joint venture and any other modality admitted by Peruvian laws in order to create, develop, improve, operate or maintain public infrastructure or provide public services. This modality of investment can be requested as a private initiative or through a public tender. Another example of this incentives is the Work for Taxes where Peru's tax system includes provisions to grant a form of credit against income taxes to allow third-party investors to recover capital investments made in public infrastructure.

Nowadays, Government-to-Government agreements are a tool that the government wants to promote to benefit from technical assistance of international standards, as well as to increase its capacity in the management of large projects that Peru aims to execute.

Both the public and private sectors are involved in the economic development and social welfare of the country. Peru is recognized in the international community for providing favorable conditions to take advantage of the opportunities in the development of its infrastructure.

Peru has maintained its investment-grade credit rating since Moody's Investors Services raised it to that level in December 2009 matching moves made by Standard & Poor's and Fitch Ratings the previous year. The country's stable, credible and consistent macroeconomic policies in various administrations are the key supporting factors for the investment-grade rating. The upgrade to investment grade has brought Peru a lot of positive attention worldwide. More importantly, it has had a positive impact on the local economy and should help to boost the stock market and the appreciation of the Peruvian currency. For this reason, many multinational corporations look at the country more seriously, as higher private investment is flowing into the country.

It is well known that countries with investment grade ratings gain a higher level of confidence that generates more foreign and domestic investment. The risk premium demanded by multinationals and foreign investors is reduced after the upgrade, at the same time, the investment horizon is elongated. The same occurs with domestic investment. Local investors gain more self-confidence, thus allowing themselves to consider opportunities with lower rates of interest. The impact is immediate, as consumers gain access to credit with more favorable terms.
As at July 2020, Peru had a country risk of 169 base points, ranking as the lowest in Latin America. This score is nearly one-third of the regional average (521 points).

Peru achieved the position of the third most globalized country in Latin America, according to the Globalization Index established by EY. Five elements are considered within this index: openness to foreign trade, capital flows, exchange of technology and ideas, international movement of workers, and cultural integration.

Additionally, in early 2018 Bloomberg Markets positioned Peru as the ninth emerging market with the greatest international projection, based on the country's advantages, such as low share prices and their possible increase in the future.

As may be seen in the following charts, Peru's level of inflation is one of the lowest in Latin America, with a rate of 1.9% in 2019, and an estimated of 0.0% for 2020. In addition, over the past decade (2010-2019), the Peruvian economy had the lowest average annual inflation rate in Latin America, at 2.9%, below that of Chile (3.1%), Colombia (3.8%) and Brazil (5.9%).

### Sovereign Credit Ratings in Latin American Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>S&amp;P</th>
<th>Fitch</th>
<th>Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>A+</td>
<td>A</td>
<td>A1</td>
</tr>
<tr>
<td>Peru</td>
<td>BBB+</td>
<td>BBB+</td>
<td>A3</td>
</tr>
<tr>
<td>Mexico</td>
<td>BBB</td>
<td>BBB-</td>
<td>Baa1</td>
</tr>
<tr>
<td>Colombia</td>
<td>BBB-</td>
<td>BBB-</td>
<td>Baa2</td>
</tr>
<tr>
<td>Uruguay</td>
<td>BBB</td>
<td>BBB-</td>
<td>Baa2</td>
</tr>
<tr>
<td>Paraguay</td>
<td>BB</td>
<td>BB+</td>
<td>Ba1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>B+</td>
<td>B+</td>
<td>B1</td>
</tr>
<tr>
<td>Brazil</td>
<td>BB-</td>
<td>BB-</td>
<td>Ba2</td>
</tr>
<tr>
<td>Argentina</td>
<td>SD</td>
<td>RD</td>
<td>Ca</td>
</tr>
<tr>
<td>Ecuador</td>
<td>SD</td>
<td>RD</td>
<td>Caa3</td>
</tr>
<tr>
<td>Venezuela</td>
<td>SD</td>
<td>WD</td>
<td>C</td>
</tr>
</tbody>
</table>

As at August 2020

Sources: Standard & Poor's, Fitch Ratings, Moody's

### COUNTRY RISK

As at July 2020, Peru had a country risk of 169 base points, ranking as the lowest in Latin America. This score is nearly one-third of the regional average (521 points).

Peru achieved the position of the third most globalized country in Latin America, according to the Globalization Index established by EY. Five elements are considered within this index: openness to foreign trade, capital flows, exchange of technology and ideas, international movement of workers, and cultural integration.

Additionally, in early 2018 Bloomberg Markets positioned Peru as the ninth emerging market with the greatest international projection, based on the country's advantages, such as low share prices and their possible increase in the future.

As may be seen in the following charts, Peru's level of inflation is one of the lowest in Latin America, with a rate of 1.9% in 2019, and an estimated of 0.0% for 2020. In addition, over the past decade (2010-2019), the Peruvian economy had the lowest average annual inflation rate in Latin America, at 2.9%, below that of Chile (3.1%), Colombia (3.8%) and Brazil (5.9%).
Country Risk Indicator

*Figures as at July 2020
Source: BCRP

Inflation Rates in Latin America

Sources: International Monetary Fund (IMF), BCRP
INVESTMENT PROMOTION CONDITIONS

FOREIGN INVESTMENT LEGISLATION AND TRENDS IN PERU

Peru seeks to attract both domestic and foreign investment in all sectors of the economy. To achieve this, it has taken the necessary steps to establish a consistent investment policy that eliminates any barriers that foreign investors may face. As a result, Peru is considered a country with one of the most open investment systems in the world.

Peru has adopted a legal framework for investments that requires no previous authorization for foreign investment. In this regard, foreign investments are allowed without restrictions in the large majority of economic activities. The activities with restrictions are very specific, such as air transportation, sea transportation, private safety and surveillance and the manufacture of war weaponry. Additionally, Peru has a legal framework to protect the economic stability of investors and to reduce government interference in economic activities (See more in section 4.1).

The Peruvian government guarantees legal stability to national and foreign investors with regard to the legislation governing income tax and specifically, distribution of dividends. Foreign investors with the right to obtain legal and tax stability are those willing to invest in Peru for a period of no less than two years and for a minimum amount of US$10 million in the Mining and/or Hydrocarbons sectors, or US$5 million in any other economic activity.

Peru's laws, regulations, and practices do not discriminate between domestic and foreign corporations. There are no restrictions on repatriation of profits, international transfers of capital, or foreign exchange practices. The remittance of interest and royalties is also not restricted in any way. Foreign currency may be used to acquire goods abroad or cover financial obligations as long as the operator is in compliance with the relevant Peruvian tax legislation.

As a result, Peru's Central Bank reported that the stock of Foreign Direct Investment (FDI) inflow reached US$8.8 billion in 2019. FDI is concentrated in mining, communications, finance, manufacturing and energy.

Foreign Direct Investment (in US$ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6,431</td>
</tr>
<tr>
<td>2010</td>
<td>8,455</td>
</tr>
<tr>
<td>2011</td>
<td>7,682</td>
</tr>
<tr>
<td>2012</td>
<td>13,622</td>
</tr>
<tr>
<td>2013</td>
<td>9,826</td>
</tr>
<tr>
<td>2014</td>
<td>3,930</td>
</tr>
<tr>
<td>2015</td>
<td>8,314</td>
</tr>
<tr>
<td>2016</td>
<td>6,739</td>
</tr>
<tr>
<td>2017</td>
<td>6,860</td>
</tr>
<tr>
<td>2018</td>
<td>6,488</td>
</tr>
<tr>
<td>2019</td>
<td>8,892</td>
</tr>
</tbody>
</table>

Source: BCRP
Foreign direct investment (FDI) is largely seen as a catalyst for economic growth in the future. The United States, United Kingdom, The Netherlands, Spain, Brazil and Chile appear as Peru's leading investors. FDI is concentrated in the mining, financial, electricity, telecommunications, and industry sectors.

**RECOGNITION OF FAVORABLE INVESTMENT CLIMATE**

According to the World Economic Forum, Peru is among the top countries in Latin America in terms of macroeconomic stability, human capital, market size, financial system, among others.

### Global Competitiveness Index

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ranking</td>
<td>Score</td>
</tr>
<tr>
<td>Peru Total</td>
<td>63/140</td>
<td>61.3</td>
</tr>
<tr>
<td>Enabling environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Institutions</td>
<td>90</td>
<td>50.2</td>
</tr>
<tr>
<td>- Infrastructure</td>
<td>85</td>
<td>62.4</td>
</tr>
<tr>
<td>- ICT adoption</td>
<td>94</td>
<td>43.9</td>
</tr>
<tr>
<td>- Macroeconomic stability</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Human capital</td>
<td>43</td>
<td>75.5</td>
</tr>
<tr>
<td>- Health</td>
<td>32</td>
<td>93.3</td>
</tr>
<tr>
<td>- Skills</td>
<td>83</td>
<td>58.6</td>
</tr>
<tr>
<td>Markets</td>
<td>48</td>
<td>60.1</td>
</tr>
<tr>
<td>- Product market</td>
<td>50</td>
<td>59.5</td>
</tr>
<tr>
<td>- Labour market</td>
<td>72</td>
<td>58.8</td>
</tr>
<tr>
<td>- Financial system</td>
<td>63</td>
<td>60.5</td>
</tr>
<tr>
<td>- Market size</td>
<td>49</td>
<td>61.6</td>
</tr>
<tr>
<td>Innovation ecosystem</td>
<td>93</td>
<td>43.2</td>
</tr>
<tr>
<td>- Business dynamism</td>
<td>92</td>
<td>54.5</td>
</tr>
<tr>
<td>- Innovation capability</td>
<td>89</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Source: World Economic Forum
Also, according to Doing Business 2020, Peru ranks 76th out of 190 countries in terms of ease of starting a company and doing business and ranks sixth in Latin America.

<table>
<thead>
<tr>
<th>Position</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>59</td>
<td>Chile</td>
</tr>
<tr>
<td>60</td>
<td>Mexico</td>
</tr>
<tr>
<td>65</td>
<td>Puerto Rico (United States)</td>
</tr>
<tr>
<td>67</td>
<td>Colombia</td>
</tr>
<tr>
<td>74</td>
<td>Costa Rica</td>
</tr>
<tr>
<td>76</td>
<td>Peru</td>
</tr>
<tr>
<td>86</td>
<td>Panama</td>
</tr>
<tr>
<td>91</td>
<td>El Salvador</td>
</tr>
<tr>
<td>96</td>
<td>Guatemala</td>
</tr>
<tr>
<td>101</td>
<td>Uruguay</td>
</tr>
<tr>
<td>115</td>
<td>Dominican Republic</td>
</tr>
</tbody>
</table>

Source: World Bank (WB) - Doing Business 2020

Forbes in Latin American Countries

<table>
<thead>
<tr>
<th>Position</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>Chile</td>
</tr>
<tr>
<td>48</td>
<td>Costa Rica</td>
</tr>
<tr>
<td>54</td>
<td>Mexico</td>
</tr>
<tr>
<td>58</td>
<td>Uruguay</td>
</tr>
<tr>
<td>64</td>
<td>Peru</td>
</tr>
<tr>
<td>67</td>
<td>Colombia</td>
</tr>
<tr>
<td>73</td>
<td>Brazil</td>
</tr>
<tr>
<td>75</td>
<td>Panama</td>
</tr>
<tr>
<td>76</td>
<td>Argentina</td>
</tr>
<tr>
<td>91</td>
<td>Dominican Republic</td>
</tr>
<tr>
<td>97</td>
<td>Guatemala</td>
</tr>
</tbody>
</table>

Source: Forbes 2019
## Summary of Doing Business Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Peru</th>
<th>Latin America and the Caribbean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting a business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of procedures</td>
<td>8.0</td>
<td>8.1</td>
</tr>
<tr>
<td>Time (days)</td>
<td>26.0</td>
<td>28.8</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>9.4</td>
<td>31.4</td>
</tr>
<tr>
<td>Registration of minimum capital paid up (% of income per capita)</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Construction permits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of procedures</td>
<td>19.0</td>
<td>15.5</td>
</tr>
<tr>
<td>Time (days)</td>
<td>137.0</td>
<td>191.2</td>
</tr>
<tr>
<td>Cost (% of warehouse value)</td>
<td>1.7</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Registering property</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of procedures</td>
<td>6.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Time (days)</td>
<td>9.5</td>
<td>63.7</td>
</tr>
<tr>
<td>Cost (% of property value)</td>
<td>3.9</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Electricity service</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of procedures</td>
<td>6.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Time (days)</td>
<td>67.0</td>
<td>66.8</td>
</tr>
<tr>
<td>Cost (% of income per capita)</td>
<td>448.5</td>
<td>407.2</td>
</tr>
<tr>
<td><strong>Getting credit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strength of legal rights index (0-12)</td>
<td>7.0</td>
<td>5.3</td>
</tr>
<tr>
<td>Depth of credit information index (0-8)</td>
<td>8.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Credit registry coverage (% of adults)</td>
<td>39.4</td>
<td>14.6</td>
</tr>
<tr>
<td>Credit bureau coverage (% of adults)</td>
<td>100.0</td>
<td>47.6</td>
</tr>
<tr>
<td><strong>Protecting minority investors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent of disclosure index (0-10)</td>
<td>9.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Extent of shareholder rights index (0-6)</td>
<td>6.0</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Paying taxes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of payments per year</td>
<td>8.0</td>
<td>28.2</td>
</tr>
<tr>
<td>Time (hours per year)</td>
<td>260.0</td>
<td>317.1</td>
</tr>
<tr>
<td>Total tax and contribution rate (% of profit)</td>
<td>36.8</td>
<td>47.0</td>
</tr>
<tr>
<td><strong>Trading across borders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time to export – Documentary compliance (hours)</td>
<td>24.0</td>
<td>35.7</td>
</tr>
<tr>
<td>Cost to export – Documentary compliance (US$)</td>
<td>50.0</td>
<td>100.3</td>
</tr>
<tr>
<td>Time to export – Border compliance (hours)</td>
<td>48.0</td>
<td>55.3</td>
</tr>
<tr>
<td>Cost to export – Border compliance (US$)</td>
<td>630.0</td>
<td>516.3</td>
</tr>
<tr>
<td><strong>Enforcing contracts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time (days)</td>
<td>478.0</td>
<td>774.2</td>
</tr>
<tr>
<td>Cost (% of claim value)</td>
<td>41.2</td>
<td>32.0</td>
</tr>
<tr>
<td>Quality of judicial processes (0-18)</td>
<td>9.5</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Resolving insolvency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time (years)</td>
<td>3.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Cost (% of assets)</td>
<td>7.0</td>
<td>16.8</td>
</tr>
<tr>
<td>Recovery rate (cents on the dollar)</td>
<td>31.3</td>
<td>31.2</td>
</tr>
</tbody>
</table>

Source: World Bank (WB) - Doing Business 2020
Furthermore, the 2020 Index of Economic Freedom prepared by The Heritage Foundation, Peru ranks among the top countries in the region. This index is elaborated by an analysis of the financial, investment, trade, monetary, labor and business freedom. It also evaluates fiscal health, government spending, tax burden, government integrity, judicial effectiveness and property rights.

### Doing Business in Latin American Countries

<table>
<thead>
<tr>
<th>Economy</th>
<th>World Ranking</th>
<th>South American Ranking</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>1</td>
<td>-</td>
<td>89.4</td>
</tr>
<tr>
<td>China, Hong Kong</td>
<td>2</td>
<td>-</td>
<td>89.1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3</td>
<td>-</td>
<td>84.1</td>
</tr>
<tr>
<td>Canada</td>
<td>9</td>
<td>-</td>
<td>78.2</td>
</tr>
<tr>
<td>Chile</td>
<td>15</td>
<td>1</td>
<td>76.8</td>
</tr>
<tr>
<td>Colombia</td>
<td>45</td>
<td>2</td>
<td>69.2</td>
</tr>
<tr>
<td>Uruguay</td>
<td>47</td>
<td>3</td>
<td>69.1</td>
</tr>
<tr>
<td>Peru</td>
<td>51</td>
<td>4</td>
<td>67.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>67</td>
<td>-</td>
<td>66</td>
</tr>
<tr>
<td>Paraguay</td>
<td>80</td>
<td>5</td>
<td>63</td>
</tr>
<tr>
<td>Brazil</td>
<td>155</td>
<td>6</td>
<td>53.7</td>
</tr>
<tr>
<td>Argentina</td>
<td>149</td>
<td>7</td>
<td>53.1</td>
</tr>
<tr>
<td>Ecuador</td>
<td>158</td>
<td>8</td>
<td>51.3</td>
</tr>
<tr>
<td>Bolivia</td>
<td>175</td>
<td>9</td>
<td>42.8</td>
</tr>
<tr>
<td>Venezuela</td>
<td>179</td>
<td>10</td>
<td>25.2</td>
</tr>
</tbody>
</table>

Source: The Heritage Foundation
and Development (OECD). This represents a key tool for Peru for the success of the strategy and the process directed at succeeding with the entry of Peru in said organization.

Nowadays, Peru has 32 Bilateral Investment Treaties (BIT) with Argentina, Australia, Bolivia, Canada, Chile, China, Colombia, Cuba, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Italy, Japan, Malaysia, Netherlands, Norway, Paraguay, Portugal, Romania, Singapore, Republic of Korea, Spain, Sweden, Switzerland, Thailand, the Belgium-Luxembourg Economic Union, United Kingdom and Venezuela. Additionally, Peru has in force 14 Free Trade Agreements and Economic Integration Agreements (FTA & EIA) with Canada, Costa Rica, European Free Trade Association (EFTA), the European Union, Japan, Panama, Australia, Chile, China, Honduras, Republic of Korea, Mexico, Singapore and the United States.

Peru maintains negotiations with Turkey, El Salvador and India, and has concluded negotiations with Brazil, Guatemala and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (with Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Singapore and Vietnam), which incorporates the provisions of the Trans-Pacific Partnership Agreement.

Foreign investors are protected against inconvertibility, expropriation, political violence and other non-commercial risks through access to the corresponding multilateral and bilateral conventions. It should be noted that Peru has a signed agreement with the Overseas Private Investment Corporation (OPIC) and a Constitutive Agreement with the Multilateral Investment Guaranty Agency (MIGA). Peru has also signed the International Convention for Settlement of Investment Disputes (ICSID) of the World Bank as an alternative for resolving disputes that might arise between investors covered by the ICSID and the Peruvian State. Additionally, eight agreements have been signed to avoid double taxation with Chile, Canada, the Andean Community of Nations (CAN), Brazil, Mexico, South Korea, Switzerland and Portugal. In 2019, Peru also signed a double tax treaty with Japan, which still needs to be ratified by both contracting states to enter in force (See more in section 7.2).
The National Infrastructure Plan for Competitiveness\(^1\), identifies a basic access infrastructure gap of US$110 billion (S/363 billion) approximately\(^2\). This estimate does not consider qualitative elements such as water quality, the number of hours of access to electricity, the schools' structures condition, among others. Therefore, this infrastructure gap would be underestimated assuming Peru aims to be a developed country.

**Infrastructure Gap - Short Term**  
(in US$ millions)

It has been calculated considering a five years horizon, at approximately US$35 billion, distributed among the following sectors: transport (31%), sanitation (25%), healthcare (24%), telecommunications (10%), hydraulic (6%) and water (5%).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Short Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>10,900</td>
</tr>
<tr>
<td>Sanitation</td>
<td>8,733</td>
</tr>
<tr>
<td>Healthcare</td>
<td>8,347</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>3,682</td>
</tr>
<tr>
<td>Hydraulic</td>
<td>2,024</td>
</tr>
<tr>
<td>Water</td>
<td>1,824</td>
</tr>
</tbody>
</table>


**Infrastructure Gap - Long Term**  
(in US$ millions)

This gap considered a twenty years horizon and is estimated at approximately US$110 billion, distributed among the following sectors: transport (44%), sanitation (20%), healthcare (16%), water (7%), telecommunications (6%), hydraulic (4%), electricity (2%) and education (2%).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>48,775</td>
</tr>
<tr>
<td>Sanitation</td>
<td>21,680</td>
</tr>
<tr>
<td>Healthcare</td>
<td>17,796</td>
</tr>
<tr>
<td>Water</td>
<td>7,347</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>6,175</td>
</tr>
<tr>
<td>Hydraulic</td>
<td>4,432</td>
</tr>
<tr>
<td>Electricity</td>
<td>2,139</td>
</tr>
<tr>
<td>Education</td>
<td>1,793</td>
</tr>
</tbody>
</table>


---

\(^1\) National Infrastructure Plan for Competitiveness. Ministry of Economy and Finance.  
\(^2\) Exchange rate: US$1 = S/3.3, according to the National Infrastructure Plan for Competitiveness.
1. ROADS

Peru has a total of 168,474 km of roads, distributed among the local road system (67.6%) with a total of 113,858 km, departmental roads (16.3%) with a total of 27,506 km and national roads (16.1%) with a total of 27,110 km.

In particular, 79% of the national roads (21,434 km) are paved, while only 13.17% (3,623 km) and 1.63% (1,859 km) of the departmental and local roads, respectively, are paved.

In total, 141,557 km of roads are unpaved by 2018, which represents 86% of all existing roads. This situation explains part of the transport infrastructure gap previously shown, which has to be solved through public and private investment.

Regarding private investment participation, Peru has 16 concessions for 6,693 km, which are being supervised by OSITRAN3.

---

3 Supervisory Organism of Investment in Public Use Transport Infrastructure – OSITRAN. [https://www.ositran.qob.pe/carreteras/](https://www.ositran.qob.pe/carreteras/)
2. RAILWAYS

Peru has a total of 1,939.7 km of railways, grouped by ownership regime in Railway Concessions (78%) with a total of 1,512.4 km, followed by Private Railways (12.3%) with a total of 238.6 km and State Operated Railways (9.73%) with a total of 188.7 km.

Railways by Property Regime (in Kilometers)

<table>
<thead>
<tr>
<th>Property Regime</th>
<th>Kilometers</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Operated</td>
<td>189</td>
</tr>
<tr>
<td>Concession</td>
<td>1,512</td>
</tr>
<tr>
<td>Private</td>
<td>239</td>
</tr>
</tbody>
</table>

Source: Ministry of Transport and Communications (2018)

From total railway concessions, only 33.1 km are for urban transport (Line 1 of the Lima and Callao Metro System). The rest are freight and tourist transport railways. It is worth mentioning that Peru has two experiences in railway infrastructure concessions supervised by OSITRAN\(^4\). However, Line 2 –first fully underground metro project– is not counted yet, because it is currently under construction. Line 2 includes an extension of 35 km and 35 stations.

Additionally, of the State Operated railways, 128 km represent the Huancayo-Huancavelica Railway Project, which has been included in the PPP project pipeline.

Recently, President Martín Vizcarra's National Independence Day holiday speech announced the development of Lines 3 and 4 of the Lima and Callao Metro System under the Government-to-Government mechanism.

---

\(^4\) Supervisory Agency for Investment in Public Use Transport Infrastructure. OSITRAN. [https://www.ositran.gob.pe/vias-ferreas/](https://www.ositran.gob.pe/vias-ferreas/)
3. AIRPORTS

Peru has a total of 35 airports. Our main airport the "Jorge Chávez International Airport" in Lima, has been granted in concession to Lima Airport Partners (LAP), currently owned by Fraport AG (80%) and International Finance Corporation (IFC) of the World Bank (20%). There are two more concessions, 12 regional airports as part of the "First Group of Regional Airports" that were awarded to Aeropuertos del Perú (ADP), and 5 regional airports as part of the "Second Group of Regional Airports" that were awarded to Aeropuertos Andinos del Perú (AAP). At last, there are 17 airports operated by CORPAC, the government entity in charge of airport operations in Peru.

In 2019, passengers traffic amounts 38.1 million people, of which LAP represents 61.1%, followed by ADP with 17%, AAP with 9.4% and CORPAC with 12.5%.

Peru has eighteen (18) airports granted in concession and seventeen (17) airports that are currently operated by CORPAC (government entity). From these government operated airports, eight (8) airports will be granted in concession as part of the “Third Group of Regional Airports”5. In addition, Cusco city airport operated by CORPAC, will be replaced by the Chinchero International Airport, currently under construction through the Government-to-Government mechanism.

<table>
<thead>
<tr>
<th>Airports Passengers Traffic (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jorge Chávez International Airport (LAP)</td>
</tr>
<tr>
<td>First Group of Regional Airports (ADP)</td>
</tr>
<tr>
<td>Second Group of Regional Airports (AAP)</td>
</tr>
<tr>
<td>CORPAC</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

Source: OSITRAN (2019)

4. PORTS

Peru has a total of 18 ports and a total movement of 50.7 million tons for 2019. The main port terminals in Peru are located in Callao. On the other hand, the government port operator ENAPU, manages 10 ports in the country.

Peru has experience in the development of port projects, with a total of 8 port concessions that are supervised by OSITRAN\(^6\). The development of new port projects is being evaluated and included in the PPP project pipeline\(^7\).

<table>
<thead>
<tr>
<th>Port Terminal</th>
<th>TN Volume 2019 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaverry Multipurpose Port Terminal</td>
<td>2,810</td>
</tr>
<tr>
<td>New Yurimaguas Port Terminal</td>
<td>20</td>
</tr>
<tr>
<td>Paita Port Terminal</td>
<td>2,743</td>
</tr>
<tr>
<td>General San Martin Port Terminal</td>
<td>1,575</td>
</tr>
<tr>
<td>Matarani Port Terminal</td>
<td>6,443</td>
</tr>
<tr>
<td>Shipment Terminal for Mineral Concentrates</td>
<td>2,992</td>
</tr>
<tr>
<td>Container Terminal Muelle Sur - Callao</td>
<td>15,040</td>
</tr>
<tr>
<td>North Pier Port Terminal - Callao</td>
<td>19,134</td>
</tr>
</tbody>
</table>

Source: OSITRAN (2019)

---

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

5. WATER AND SANITATION

URBAN AREAS

There are 50 water and sanitation service provider companies that are grouped according to their management in National Government (2) and Regional or Local Government (48). The company that has the most connections is SEDAPAL (National Government), which operates in the capital city of Lima.

Companies providing water and sanitation services can also be grouped by connections size. In addition to SEDAPAL there are 17 Big companies that have between 40,000 and 250,000 connections, 12 Medium companies that have between 15,000 and 40,000 connections and 20 Small companies with less than 15,000 connections.

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>20</td>
</tr>
<tr>
<td>Medium</td>
<td>12</td>
</tr>
<tr>
<td>Big</td>
<td>17</td>
</tr>
<tr>
<td>SEDAPAL</td>
<td>1</td>
</tr>
</tbody>
</table>


---

\(^6\) Supervisory Agency for Investment in Public Use Transport Infrastructure. OSITRAN. [https://www.ositran.gob.pe/puertos/](https://www.ositran.gob.pe/puertos/)

The company with the highest coverage of drinking water by area of influence is SEDAPAL with 92.5% in Lima in 2018. On the other hand, medium-sized companies have an average coverage of 79.2%.

In summary, the national average for water coverage is 89.9%, while for sewerage coverage is 83.8%.

**Drinking Water Coverage**

<table>
<thead>
<tr>
<th>Size</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>84.7%</td>
</tr>
<tr>
<td>Medium</td>
<td>79.2%</td>
</tr>
<tr>
<td>Big</td>
<td>89.3%</td>
</tr>
<tr>
<td>SEDAPAL</td>
<td>92.5%</td>
</tr>
</tbody>
</table>


SEDAPAL treats 92.2% of the collected wastewater, while on average small companies treat only 6.6%. The national average for wastewater treatment is 79.2%.

**Wastewater Treatment**

<table>
<thead>
<tr>
<th>Size</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>6.6%</td>
</tr>
<tr>
<td>Medium</td>
<td>32.8%</td>
</tr>
<tr>
<td>Big</td>
<td>68.5%</td>
</tr>
<tr>
<td>SEDAPAL</td>
<td>92.2%</td>
</tr>
</tbody>
</table>


RURAL AREAS

There are 450 Community Organizations that provide water service and are grouped according to ownership into Community Organizations (319), Municipal Providers (107) and Specialized Operators (9).

**Number of Organizations**

- Specialized Operators: 9
- Municipal Providers: 107
- Community Organizations: 319


It should be noted that 94% of the population in urban areas have access to the Public Water Network, while in rural areas only 72%.

Peru has experience in Public Private Partnerships (PPP) in the development of Wastewater Treatment Plants (WWTP) such as the La Chira WWTP and Taboada WWTP projects that help to almost completely decontaminate the wastewater generated in Lima Metropolitan Area (Lima and Callao). In addition, the Titicaca WWTP has been awarded, which will have 10 treatment plants for the Titicaca Lake in Puno (southern Peru).

Additionally, Peru has developed projects in water and sanitation under the Works for Taxes mechanism, ranking as one of the most important sectors for this mechanism by investment amount.
6. HEALTHCARE

The Health infrastructure is made up of Hospitals (3%), Health Centers (12%), Health Posts (42%), Specialized Institutes (0.1%) and Medical and dental offices (42%).

**Number of Health Establishments**

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental Center</td>
<td>691</td>
</tr>
<tr>
<td>Medical Consultants and Others</td>
<td>7,797</td>
</tr>
<tr>
<td>Institute of Specialized Health</td>
<td>17</td>
</tr>
<tr>
<td>Health Posts</td>
<td>8,349</td>
</tr>
<tr>
<td>Health Center</td>
<td>2,411</td>
</tr>
<tr>
<td>Hospitals</td>
<td>594</td>
</tr>
</tbody>
</table>

Source: National Superintendence of Health (2018)

It is estimated that there is only one (1) doctor for every 390 habitants and one (1) nurse for every 368 habitants nationwide.

**Number of Beds by Health Entity**

<table>
<thead>
<tr>
<th>Category</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others institutions</td>
<td>13,195</td>
</tr>
<tr>
<td>ESSALUD</td>
<td>9,640</td>
</tr>
<tr>
<td>MINSA y GR</td>
<td>28,493</td>
</tr>
</tbody>
</table>

Source: Ministry of Health - MINSA (2018)

56% of beds are found in hospitals of the Ministry of Health and Regional Governments, 19% in EsSalud and the remaining 26% as part of Other institutions such as private clinics.

Peru has 16 beds for every 10,000 habitants.

Peru has experience in Public Private Partnerships (PPP) in the Healthcare sector such as the Alberto Barton Hospital in Callao and Guillermo Kaelin Hospital in Villa María del Triunfo district, both projects that improve the health network of Lima Metropolitan Area (Lima and Callao). On the other hand, under the Works for Taxes mechanism, Peru has developed healthcare projects such as hospitals construction, ranking as one of the most important sectors for this mechanism by investment amount. It is worth mentioning that some development of Health infrastructures is intended to be carried out under the government-to-government mechanism.

---

8 EsSalud.
http://www.essalud.gob.pe/asociacion-publico-privada-contratos-vigentes/
7. TELECOMMUNICATIONS

On average, 90.9% of households nationwide have at least one member who owns a telephone, while within Lima Metropolitan Area 95.1% and in the rest of the country 89%.

Households with at Least One Member Who has a Telephone

<table>
<thead>
<tr>
<th></th>
<th>National total</th>
<th>Metropolitan Lima</th>
<th>Rest of country</th>
</tr>
</thead>
<tbody>
<tr>
<td>90.9%</td>
<td>95.1%</td>
<td>89.0%</td>
<td></td>
</tr>
</tbody>
</table>


Households that Access the Internet Service

<table>
<thead>
<tr>
<th></th>
<th>National total</th>
<th>Metropolitan Lima</th>
<th>Rest of country</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.8%</td>
<td>54.2%</td>
<td>18.7%</td>
<td></td>
</tr>
</tbody>
</table>


Regarding internet access, on average 29.8% of households nationwide have access to internet service, while within Lima Metropolitan Area 54.2% and in the rest of the country 18.7%.

Peru has experience with private participation in the telecommunications sector. Many of the awarded projects are now in operational phase, which includes the concession of high-speed Internet broadbands, among others.

8. IRRIGATION

Peru has 7.1 million hectares of agricultural land, of which 36.2% are under irrigation and 63.8% are rainfed crops. Only 0.5% of agricultural land with irrigation is done with agricultural technification, 12,542 hectares.

Agricultural Area (in millions ha)

<table>
<thead>
<tr>
<th></th>
<th>Total area</th>
<th>Area under rainfed</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>2.6</td>
<td>4.5</td>
</tr>
</tbody>
</table>


Regarding private participation, Peru has experience in the development of irrigation system projects such as the Chavimochic project, and promoted the development of Olmos and Majes – Siguas projects which include the water transfer for hydroelectric and irrigation purposes (new agricultural land). Additionally, Peru has also developed irrigation projects under the Works for Taxes mechanism.
9. POWER

Total electric energy production is estimated at 54,883 GWh.

Energy production in Peru is mainly made up of Hydraulic Production (56%) and Thermal Production (40%).

Production of Electrical Energy (GWh)

<table>
<thead>
<tr>
<th>Type</th>
<th>GWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydraulics</td>
<td>30,730</td>
</tr>
<tr>
<td>Thermal</td>
<td>21,912</td>
</tr>
<tr>
<td>Solar</td>
<td>745</td>
</tr>
<tr>
<td>Wind</td>
<td>1,494</td>
</tr>
</tbody>
</table>


In average, access to electricity system is 95.3% of households nationwide, while in urban areas is 98.7% and in rural areas 83.6%.

Percentage of Households with Electricity

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>95.3%</td>
</tr>
<tr>
<td>Urban area</td>
<td>98.7%</td>
</tr>
<tr>
<td>Rural area</td>
<td>83.6%</td>
</tr>
</tbody>
</table>


Peru has experience in Public Private Partnerships (PPP) in the Power Sector such as transmission lines, substations, power generation, hydroelectric power plants, and others. Furthermore, energy projects are being promoted in the PPP pipeline.

10. EDUCATION

In the education sector, the rate of non-enrolled students of regular basic education for 2018 was 8% for initial education, 6.4% for primary education and 14.8% for secondary education.

Non Enrolled Rate

<table>
<thead>
<tr>
<th>Level</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>8.0%</td>
</tr>
<tr>
<td>Primary</td>
<td>6.4%</td>
</tr>
<tr>
<td>Secondary</td>
<td>14.8%</td>
</tr>
</tbody>
</table>


In Peru there are 101,229 Regular Basic Education centers, 49,637 for Initial Education, 37,888 for Primary Education and 13,704 for Secondary Education. Among them, the percentage of inadequate installed capacity levels is 89.7%, 94.9% and 89.9% respectively.

Inadequate Installed Capacity in Regular Basic Education

<table>
<thead>
<tr>
<th>Level</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>89.7%</td>
</tr>
<tr>
<td>Primary</td>
<td>94.9%</td>
</tr>
<tr>
<td>Secondary</td>
<td>89.9%</td>
</tr>
</tbody>
</table>

In recent years, Peru has been structuring Public-Private Partnerships (PPP) projects, seeking to improve infrastructure in the sector and educational quality. Currently, the Ministry of Education is developing projects such as High-Performance Schools (COAR) for students in the 3rd, 4th and 5th year of secondary education. This COAR schools are currently administered by the National Government. In addition, there are projects regarding Schools at Risk (CER), which are being proposed to be developed under the same mechanism. Both COAR and CER projects are included in the PPP pipeline.

Additionally, Peru has developed many education projects under the Works for Taxes mechanism, mainly schools' construction, ranking as one of the most important sectors for this mechanism by investment amount.
PRIVATE INVESTMENT IN INFRASTRUCTURE

1. PERUVIAN EXPERIENCE IN PUBLIC-PRIVATE PARTNERSHIP (PPP)

Between 2008 and 2019, 108 PPPs\(^9\) infrastructure projects were awarded for a total amount of US$28.4 billion in investment commitments.

**Number of Awarded Projects, 2008 - 2019**

![Number of Awarded Projects Chart]

Source: ProInversión, EsSalud (2019)

**Investment Commitment, 2008 - 2019**

![Investment Commitment Chart]

Source: ProInversión, EsSalud (2019)

---

\(^9\) This includes also the Project in Assets mechanism, which according to Peruvian PPP Law is not a PPP but is also a private investment mechanism.
As shown in the previous graphs, 2014 was an important year by investment commitment, because it included the awardee of two important projects: Line 2 of the Lima and Callao Metro System and the Southern Peruvian Gas Pipeline Project.

The amounts awarded in electricity and transportation projects total more than US$7.8 billion among 34 projects and US$7.6 billion among 12 projects, respectively. In addition, there are other important sectors such as Tourism, Healthcare and Real Estate, which show how PPP is a powerful mechanism to promote the country's economic development.

2. PERUVIAN EXPERIENCE IN "WORKS FOR TAXES"

This is a relatively new mechanism made in Peru, having its first awardee in 2009. Until 2020, 402 infrastructure projects have been awarded under the Works for Taxes mechanism for a total amount of US$1.4 billion.

---

Investment Amount by Sectors 2008 - 2019 (in US$ millions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penitentiary</td>
<td></td>
</tr>
<tr>
<td>Irrigation</td>
<td>574</td>
</tr>
<tr>
<td>Real Estate</td>
<td>162</td>
</tr>
<tr>
<td>Tourism</td>
<td>18</td>
</tr>
<tr>
<td>Agriculture</td>
<td>371</td>
</tr>
<tr>
<td>Hydrocarbon</td>
<td>3,978</td>
</tr>
<tr>
<td>Healthcare</td>
<td>183</td>
</tr>
<tr>
<td>Sanitation</td>
<td>845</td>
</tr>
<tr>
<td>Port</td>
<td>1,442</td>
</tr>
<tr>
<td>Transport</td>
<td>7,681</td>
</tr>
<tr>
<td>Telecom</td>
<td>5,304</td>
</tr>
<tr>
<td>Electricity</td>
<td>7,850</td>
</tr>
</tbody>
</table>

Source: ProInversión, EsSalud (2019)

Number of Awarded Projects and Investment Commitment, 2009 - 2020

Source: ProInversión (2020)
During such period, the amounts awarded in Transportation and Education projects totaled more than US$404 million within 67 projects and US$398 million within 132 projects, respectively. There are also other important sectors such as Sanitation, Healthcare and Security. In overall terms, this information shows how Works for Taxes represent an important mechanism to promote the economic development of the country through local projects.

At the regional level, Ancash is the main region by investment executed, with a total of US$258 million, followed by Piura with US$186 million and Arequipa with US$185 million. The following graph shows that the Works for Taxes mechanism has allowed the development of projects in new sectors such as Security, Irrigation, Commerce, among others, for the benefit of the population of each region. One of the most important benefits of this mechanism, is that it enhances transparency in the execution of public investment in regional and local areas.

Number of Projects by Sectors 2009 - 2020

<table>
<thead>
<tr>
<th>Sector</th>
<th>#Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>59</td>
</tr>
<tr>
<td>Culture</td>
<td>59</td>
</tr>
<tr>
<td>Healthcare</td>
<td>142</td>
</tr>
<tr>
<td>Irrigation</td>
<td>41</td>
</tr>
<tr>
<td>Sanitation</td>
<td>219</td>
</tr>
<tr>
<td>Transport</td>
<td>404</td>
</tr>
<tr>
<td>Urban Transport</td>
<td>41</td>
</tr>
<tr>
<td>Commerce</td>
<td>35</td>
</tr>
<tr>
<td>Amusement</td>
<td>8</td>
</tr>
<tr>
<td>Security</td>
<td>94</td>
</tr>
<tr>
<td>Education</td>
<td>398</td>
</tr>
</tbody>
</table>

Committed Investment by Region 2009 - 2020 (in millions US$)

<table>
<thead>
<tr>
<th>Region</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayacucho</td>
<td>22</td>
</tr>
<tr>
<td>Lima Metropolitana</td>
<td>3</td>
</tr>
<tr>
<td>Tumbes</td>
<td>15</td>
</tr>
<tr>
<td>Apurímac</td>
<td>10</td>
</tr>
<tr>
<td>Huancavelica</td>
<td>12</td>
</tr>
<tr>
<td>Callao</td>
<td>15</td>
</tr>
<tr>
<td>Lambayeque</td>
<td>19</td>
</tr>
<tr>
<td>Huánuco</td>
<td>25</td>
</tr>
<tr>
<td>Junín</td>
<td>28</td>
</tr>
<tr>
<td>Cajamarca</td>
<td>31</td>
</tr>
<tr>
<td>Ucayali</td>
<td>35</td>
</tr>
<tr>
<td>Puno</td>
<td>36</td>
</tr>
<tr>
<td>Loreto</td>
<td>38</td>
</tr>
<tr>
<td>Pasco</td>
<td>40</td>
</tr>
<tr>
<td>Lima</td>
<td>48</td>
</tr>
<tr>
<td>La Libertad</td>
<td>81</td>
</tr>
<tr>
<td>Ica</td>
<td>93</td>
</tr>
<tr>
<td>Tacna</td>
<td>102</td>
</tr>
<tr>
<td>Moquegua</td>
<td>104</td>
</tr>
<tr>
<td>Cusco</td>
<td>127</td>
</tr>
<tr>
<td>Arequipa</td>
<td>185</td>
</tr>
<tr>
<td>Piura</td>
<td>186</td>
</tr>
<tr>
<td>Ancash</td>
<td>258</td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)
3. PERUVIAN EXPERIENCE IN GOVERNMENT TO GOVERNMENT AGREEMENTS

Peru has recently signed agreements under Government to Government (G2G) scheme with countries with plenty proven experience in the infrastructure sector, as it can be seen in the following chart:

<table>
<thead>
<tr>
<th>Project</th>
<th>Country</th>
<th>Date signing agreement</th>
<th>Project / Location</th>
<th>Estimated Investment (US$ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction with Changes</td>
<td>United Kingdom</td>
<td>June 2020</td>
<td>15 hospitals and 74 schools / North coast and highlands</td>
<td>640</td>
</tr>
<tr>
<td>Hospitals of Peruvian Health Ministry (MINSA)</td>
<td>France</td>
<td>June 2020</td>
<td>Integral solution for 17 rivers, 5 dams and a drainage system in 7 cities / North coast</td>
<td>1400</td>
</tr>
<tr>
<td>Chinchero International Airport (Cusco)</td>
<td>South Korea</td>
<td>October 2019</td>
<td>Chinchero Airport / Cusco</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: BCRP, El Peruano Newspaper

4. INFRASTRUCTURE BUSINESS CASES

Considering Peruvian PPP experience, it is worth including some business cases to show how private investments in infrastructure can have a positive impact in society and improve the quality of life of Peruvian people. The following 3 projects are presented as examples of good performance and management within the transport, water and sanitation, and tourism sectors.

1. Line 1 of Lima and Callao Metro System

Line 1 of Lima and Callao Metro System started operations in January 2012. This 33.1 km urban railway considers 26 stations and goes through nine districts: Villa El Salvador, Villa María del Triunfo, San Juan de Miraflores, Santiago de Surco, San Borja, La Victoria, Cercado de Lima, El Agustino and San Juan de Lurigancho. Additionally, according to the Electric Train Autonomous Authority (AATE) Line 1 works with electric power, so it does not emit greenhouse gases, reducing more than 32,000 tons of carbon dioxide per year\(^\text{14}\).

One of the main benefits of the project is to reduce travel time from Villa El Salvador to Villa María del Triunfo from 120 minutes to 54 minutes. This is very important because nowadays traffic congestion in Lima is a serious problem\(^\text{15}\). Therefore, this project helps to decongest the traffic by creating a new alternative for public massive transport.

The following chart shows the passengers traffic evolution, with a compound annual growth rate of 26.5% during the last 7 years. This rapid growth reflects public interest and the need for massive transport projects in Lima Metropolitan Area.

\(^{14}\) Ministry of Transport and Communications.
https://portal.mtc.gob.pe/logros_metros.html#

\(^{15}\) According to Ipsos (2019), from citizens point of view, this is the third worst problem, after the i) lack of public safety and ii) public cleaning and environmental contamination.
In February 2015, GyM Ferrovías, the concessionaire of the Line 1 of Lima and Callao Metro System issued S/629 million (around US$185 million) in bonds. The funds obtained were used to repay the debt that resulted from the acquisition of trains and construction of the metro's maintenance workshop. The issuance's tenor was of 25 years, at an annual rate of 4.75%. According to public sources, the main participants were insurance companies and local pension funds. The structuring agents of the issuance were CAF, the Development Bank of Latin America, which offers financial consultancy services including the structuring of financing operations for infrastructure projects in the region, and BNP Paribas.

In a second operation in August 2017, the project borrowed US$316 million from the Japanese financial institutions Mizhuho Bank and Sumitomo Mitsui Banking for 16 years, which were backed by the securitization of the payments guaranteed by the Peruvian government. This loan allowed the concessionaire to continue with civil works in five stations and the acquisition of new rolling stock. In addition, these financial entities provided a revolving credit facility of US$80 million, for 3 years.

In sum, having appropriate financial guarantees improves access to financing and better financing conditions, which can be transferred to end-users in a competitive bid and by an appropriate risk assignment mechanism.

---

16 CAF.

17 LEXLATIN.
https://lexlatin.com/noticias/gym-ferrovias-obtiene-financiamiento-por-usd-316-millones-para-ampliacion-de-la-linea-1
2. La Chira and Taboada Wastewater Treatment Plants

La Chira Wastewater Treatment Plant benefits more than 2.6 million people in Lima and Callao. It treats wastewater of 18 districts of Lima city. The main goal is to decontaminate the south coast of Lima, in consequence an advanced preliminary treatment of wastewater is carried out in order to improve the quality of life and marine ecosystem\textsuperscript{18}.

On the other hand, Taboada Wastewater Treatment plant has become the main treatment system in South America. Furthermore, it treats 72% of the wastewater of 27 districts of Lima and Callao\textsuperscript{19,20}.

SEDAPAL is the main water services company. In 2018, it treated 71% of total wastewater treated in Peru. Additionally, the wastewater treated by SEDAPAL has increased at a compounded annual growth rate of 7.9% in the last 7 years. La Chira and Taboada Wastewater Treatment Plants are under SEDAPAL competency and both plants treated an average of 80.4% of the total wastewater treated by SEDAPAL from 2013 to 2019. Therefore, these plants play an important role in wastewater treatment in Peru.

### Volume of collected and treated wastewater in Peru, 2018 (in thousands of cubic meters)

<table>
<thead>
<tr>
<th></th>
<th>Collection of wastewater</th>
<th>%</th>
<th>Treatment of wastewater</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEDAPAL</td>
<td>712,781</td>
<td>61.0%</td>
<td>657,184</td>
<td>71.0%</td>
</tr>
<tr>
<td>Big Companies</td>
<td>349,873</td>
<td>29.9%</td>
<td>239,530</td>
<td>25.9%</td>
</tr>
<tr>
<td>Mid Companies</td>
<td>82,717</td>
<td>7.1%</td>
<td>27,121</td>
<td>2.9%</td>
</tr>
<tr>
<td>Small Companies</td>
<td>23,063</td>
<td>2.0%</td>
<td>1,512</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,168,434</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>925,347</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>


---

\textsuperscript{18} GYM.  

\textsuperscript{19} Grupo Cobra.  

\textsuperscript{20} SEDAPAL.  
In February 2012, an agreement of trust was signed between La Chira S.A. Concessionaire and BBVA Sociedad Titulizadora S.A. in order to transfer RPICAO to this trust (Trust I). RPICAO are transferable certificates that support Peruvian government payment obligations. In this context, BBVA Peru through a credit agreement grants a loan of S/250 million (around US$92.6 million) to Trust I to be paid with RPICAO receivables.

In addition, in August 2016 a second agreement of trust - Trust II was constituted in order to issued S/400 million (around US$116 million) in securitized bonds. These bonds consider two issues for 20 years (each one) at an annual rate of 4.75% and quarterly payments. On the other hand, in 2011, ACS closed the S/942 million (around US$340 million) local currency bond financing for its Taboada water treatment concession in Peru. The financing, led by BNP Paribas, received a AAA local and BBB global rating from Fitch. This issue consists of three tranches: S/572.089 million (around US$206.5 million) which matures in 2029, S/220 million (around US$79.5 million) due 2033, and a delayed-draw series of S/150 million (around US$54 million), also due 2033, which can be drawn after project completion.

---

21 SEDAPAL - BVL. https://www.bvl.com.pe/inf_corporativa70340_U0VEQVBCQzE.html
* Taboada wastewater treatment plant started operations in 2013.
** La Chira wastewater treatment plant started operations in 2016.
3. Kuelap Cable Cars

Kuelap project comprises 26 cable cars, each one with a capacity for 8 people. In addition, it can transport 500 tourist per hour. The project is located in Tingo, at 43 km from Chachapoyas city. It is the first transport system by cable car which operates in Peru transporting tourists from Tingo to Kuelap archeological site. The cable cars travel 4 km in 20 minutes instead of 37 km of road in 150 minutes\(^2\).

The following chart shows the Kuelap visitors' evolution. Considering project operation started in March 2017, this reflects how this transport project can promote tourism by facilitating access to Kuelap archeological site.

**Evolution of Number of Visitors to Kuelap Archeological Site**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Visitors</th>
<th>Var. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>33,495</td>
<td>0.0%</td>
</tr>
<tr>
<td>2014</td>
<td>40,146</td>
<td>19.9%</td>
</tr>
<tr>
<td>2015</td>
<td>36,385</td>
<td>-9.4%</td>
</tr>
<tr>
<td>2016</td>
<td>56,010</td>
<td>53.9%</td>
</tr>
<tr>
<td>2017</td>
<td>102,905</td>
<td>43.7%</td>
</tr>
<tr>
<td>2018</td>
<td>110,068</td>
<td>7.0%</td>
</tr>
<tr>
<td>2019</td>
<td>104,074</td>
<td>-5.4%</td>
</tr>
</tbody>
</table>

Source: MINCETUR (2019)

---

\(^2\) MINCETUR, 
[https://www.mincetur.gob.pe/turismo/proyectos-de-asociaciones-publico-privadas-app-2/telecabinas-de-kuelap/](https://www.mincetur.gob.pe/turismo/proyectos-de-asociaciones-publico-privadas-app-2/telecabinas-de-kuelap/)
PROJECT PIPELINE FOR CLOSING GAPS

Seeking to close the existing infrastructure gap, Peruvian government has developed different mechanisms to promote and incentive private investment in infrastructure projects. Through these mechanisms, diverse infrastructure projects have been implemented, including a vast number of sectors, different levels of competency (local, regional or national projects) and amount of investment (big, medium or small size); having in common their positive impact on the quality of life of Peruvian citizens. Bearing in mind all the above, Peruvian institutions have developed their project pipelines for the coming years, which are not limited (unsolicited proposals can be presented) and are gradually updated for the incorporation of new projects as new studies are developed.

1. PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECT PIPELINE

The Project Pipeline (2021 – 2022) under the Public Private Partnerships mechanism includes a total of 22 projects distributed in different sectors with a total estimated investment of US$5.9 billion\(^2\). The main sectors by investment amount are Transport (3 project), Water and Sanitation (3 projects), Real Estate (1 project), Education (5 projects) and Energy (6 projects).

Project Pipeline Investment Amount by Sector (in US$ millions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investment (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>2,561</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>822</td>
</tr>
<tr>
<td>Energy</td>
<td>435</td>
</tr>
<tr>
<td>Real Estate</td>
<td>650</td>
</tr>
<tr>
<td>Education</td>
<td>602</td>
</tr>
<tr>
<td>Healthcare</td>
<td>254</td>
</tr>
<tr>
<td>Mining</td>
<td>350</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>291</td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)

\(^2\) Private Investment Promotion Agency, ProInversión. 
https://www.proyectosapp.pe/RepositorioAPS/1/2/JER/PROJECT_PRESENTATION/2020/Cartera-Proyectos-2108-ENG.pdf
PUBLIC-PRIVATE PARTNERSHIPS (PPPs) PROJECT PIPELINE

For the 2020-2021 period, 22 projects are being promoted, with an estimated investment amount of US$5.9 billion.

Source: ProInversión (2020)
Elaboration: EY
TRANSPORT (RAILWAY)

"HUANCAYO - HUANCAVELICA" RAILWAY

It contemplates the integral rehabilitation of the Huancayo - Huancavelica railway, including the design, financing, execution of works, acquisition of rolling stock, operation and maintenance.

- INVESTMENT US$ MM
  
  232

- TERM
  
  30 years

- MODALITY
  
  Co-financed Public Initiative

- STAGE
  
  Transaction

- REGIONS
  
  Junín, Huancavelica

- MORE INFORMATION
  
  Go to the webpage
TRANSPORT (ROADS)

PERIPHERAL RING ROAD LIMA - CALLAO
It contemplates the design, construction, operation and maintenance of a highway that crosses 11 districts of the city of Lima, from the intersection with Av. Elmer Faucett with Av. Canta Callao to Av. Circunvalación.

- INVESTMENT US$ MM
  2,049
- TERM
  30 years
- MODALITY
  Co-financed Privated Initiative
- STAGE
  Structuring
- REGIONS
  Lima, Callao
- MORE INFORMATION
  Go to the webpage

HIGHLANDS ROAD - TRANCHE 4
The project consists of the execution of works of improvement and rehabilitation, maintenance and operation of approximately 970 km, of the road in the highlands of Peru, which connects 12 departments and crosses the Andean regions from end to end.

- INVESTMENT US$ MM
  280
- TERM
  25 years
- MODALITY
  Co-financed Public Initiative
- STAGE
  Structuring
- REGIONS
  Junín, Huancavelica, Ica, Ayacucho, Apurímac
- MORE INFORMATION
  Go to the webpage
SE CHINCHA NUEVA OF 220/60 KV AND SE NAZCA NUEVA OF 220/60 KV

The substation projects are intended to allow greater reliability in the energy supply in the department of Ica.

- **INVESTMENT US$ MM**: 38
- **TERM**: 30 years
- **MODALITY**: Self-financed Public Initiative
- **STAGE**: Transaction
- **REGIONS**: Ica
- **MORE INFORMATION**: Go to the webpage

LT 500 KV PIURA NUEVA - FRONTERA

The Peru-Ecuador Integral Interconnection project includes the construction of a 500 kV LT that will link SE Chorrillos, in Ecuador, with SE La Niña in Peru, and includes the construction of two new intermediate substations: SE Passage in Ecuador and SE New Piura in Peru.

- **INVESTMENT US$ MM**: 163
- **TERM**: 30 years
- **MODALITY**: Self-financed Public Initiative
- **STAGE**: Structuring
- **REGIONS**: Tumbes, Piura
- **MORE INFORMATION**: Go to the webpage
The project of a transmission line, with a simple triplet and 160 km in length, aims to supply the electricity supply to the city of Iberia, towns and industrial loads in the area, with energy from the National Interconnected Electrical System (SEIN). As part of the project, the Puerto Maldonado substation must be expanded to complete the connection cells of the existing transformer and install the output bay of the Puerto Maldonado-Iberia line. Likewise, the substation project aims to allow greater reliability in the energy supply in the department of Piura.

- **INVESTMENT US$ MM**: 34
- **TERM**: 30 years
- **MODALITY**: Self-financed Public Initiative
- **STAGE**: Formulation
- **REGIONS**: Piura, Madre de Dios
- **MORE INFORMATION**
  Aníbal del Agüila
  Phone: (01) 200 1200 Anx. 1342
  email: adelaguila@pro inversion.gob.pe
MASSIFICATION OF THE USE OF NATURAL GAS FOR CENTRAL AND SOUTHERN PERU

It contemplates the design, financing, construction, operation, maintenance of natural gas distribution systems by pipeline network in 07 regions of the center-south of the country, which will be transferred to the Peruvian State after the concession period.

- **INVESTMENT US$ MM**
  - 200

- **TERM**
  - 32 years

- **MODALITY**
  - Self-financed Public Initiative

- **STAGE**
  - Transaction

- **REGIONS**
  - Ucayali, Junín, Cusco, Huancavelica, Ayacucho, Apurímac, Puno

- **MORE INFORMATION**
  - Go to the webpage
WASTE WATER TREATMENT PLANT - WWTP PTO MALDONADO

It consists of the design, financing, construction, operation and maintenance of: WWTP in Chapajal of 234 l/s, installation of 9 collectors, construction of 6 pumping chambers and drive lines.

- **INVESTMENT US$ MM**: 57
- **TERM**: 23 years
- **MODALITY**: Co-financed Public Initiative
- **STAGE**: Structuring
- **REGIONS**: Madre de Dios
- **MORE INFORMATION**: Go to the webpage

WASTE WATER TREATMENT PLANT - WWTP HUANCAYO, EL TAMBO AND CHILCA

It consists of a new layout of 6 collectors, the construction of 4 wastewater pumping stations and the construction of a WWTP of 80,700 m3/h of average flow with reuse water treatment, in order to provide treatment to wastewater.

- **INVESTMENT US$ MM**: 165
- **TERM**: To define
- **MODALITY**: Co-financed Private Initiative
- **STAGE**: Formulation
- **REGIONS**: Junín
- **MORE INFORMATION**: Go to the webpage
HEADWORKS AND CONDUCTION FOR THE DRINKING WATER SUPPLY IN LIMA

It consists of the design, financing, construction, operation and maintenance of the following works: Regrowth of Pomacocha and Huallacocha Bajo dams, trans-Andean tunnel (10 km), Huanchipa II water treatment plant (5 m3/s), complementary reservoirs (137,000 m3), south branch (40 km) inc. 7 reservoirs and interconnection lines (90 km). It includes the O&M of the following existing works: Huanchipa Bocatoma, Huanchipa I Plant (5 m3/s) and North Branch (27 km).

- **INVESTMENT US$ MM**
  600

- **TERM**
  30 years

- **MODALITY**
  Self-financed Public Initiative

- **STAGE**
  Structuring

- **REGIONS**
  Junín, Lima

- **MORE INFORMATION**
  Go to the webpage
SCHOOLS AT RISK
(COLEGIOS EN RIESGO - CER)
LIMA METROPOLITANA

It includes the construction, equipment, operation of complementary services and the maintenance of infrastructure, furniture and equipment of schools - Projects 13.

- INVESTMENT US$ MM
  227
- TERM
  20 years
- MODALITY
  Co-financed Privated Initiative
- STAGE
  Formulation
- REGIONS
  Lima
- MORE INFORMATION
  Go to the webpage

SCHOOLS AT RISK
(COLEGIOS EN RIESGO - CER) ATE AND SAN JUAN DE LURIGANCHO DISTRICTS

It includes the construction, equipment, operation of complementary services and the maintenance of infrastructure, furniture and equipment of schools - Projects 14.

- INVESTMENT US$ MM
  148
- TERM
  25 years
- MODALITY
  Co-financed Privated Initiative
- STAGE
  Formulation
- REGIONS
  Lima
- MORE INFORMATION
  Go to the webpage
SCHOOLS AT RISK (COLEGIOS EN RIESGO - CER) COMAS AND SAN MARTÍN DE PORRES DISTRICTS

It includes the construction, equipment, operation of complementary services and the maintenance of infrastructure, furniture and equipment of schools - Projects 9.

- **INVESTMENT US$ MM**
  95
- **TERM**
  25 years
- **MODALITY**
  Co-financed Privated Initiative
- **STAGE**
  Formulation
- **REGIONS**
  Lima
- **MORE INFORMATION**
  Go to the webpage

SCHOOLS AT RISK (COLEGIOS EN RIESGO - CER) VILLA MARÍA DEL TRIUNFO DISTRICT

It includes the construction, equipment, operation of complementary services and the maintenance of infrastructure, furniture and equipment of schools - Projects 5.

- **INVESTMENT US$ MM**
  72
- **TERM**
  19 years
- **MODALITY**
  Co-financed Privated Initiative
- **STAGE**
  Formulation
- **REGIONS**
  Lima
- **MORE INFORMATION**
  Go to the webpage
HIGH PERFORMANCE SCHOOLS CENTER REGIONS (COLEGÍOS DE ALTO RENDIMIENTO - COAR CENTRO)

It includes the construction, implementation, maintenance and operation of three (03) high performance schools (COAR) in the regions of Pasco, Huancavelica and Cusco.

- INVESTMENT US$ MM 60
- TERM 22 years
- MODALITY Co-financed Privated Initiative
- STAGE Structuring
- REGIONS Pasco, Cusco, Huancavelica
- MORE INFORMATION Go to the webpage
HEALTHCARE

HIGH COMPLEXITY HOSPITAL - CHIMBOTE
The project includes the design, construction, equipment, and maintenance and operation of complementary (nonclinical) services of a high-complexity hospital of ESSALUD - Social Health Insurance, in Chimbote, Ancash, that will provide clinical services to almost 230,000 insured people of the region.

- INVESTMENT US$ MM
  110
- TERM
  17 years
- MODALITY
  Co-financed Public Initiative
- STAGE
  Structuring
- REGIONS
  Áncash
- MORE INFORMATION
  Go to the webpage

HIGH COMPLEXITY HOSPITAL - PIURA
The project includes the design, construction, equipment, and maintenance and operation of complementary (nonclinical) services of a high-complexity hospital of ESSALUD - Social Health Insurance, in Piura, that will provide hospital services to almost 720,000 insured people of both Piura and Tumbes.

- INVESTMENT US$ MM
  144
- TERM
  17 years
- MODALITY
  Co-financed Public Initiative
- STAGE
  Structuring
- REGIONS
  Piura, Madre de Dios
- MORE INFORMATION
  Go to the webpage
TELECOMMUNICATIONS

RADIO SPECTRUM BANDS:
1. 1750 - 1780 MHZ, Y 2150 - 2180 MHZ
2. 2300 - 2330 MHZ

The development of mobile broadband systems in thought the country, for technologies such as 4G, 5G, or higher. The AWS-3 and 2.3 GHz bands will allow to offer better coverage characteristics and greater data capacity.

- INVESTMENT US$ MM
  291

- TERM
  20 years

- MODALITY
  Asset project Public Initiative

- STAGE
  Formulation

- REGIONS
  Nationwide

- MORE INFORMATION
  Go to the webpage
ANCÓN INDUSTRIAL PARK

The Ancón Industrial Park will be a modern space for industrial companies of different scale, which will operate under international standards, and will be constituted as the new industrial development center in the northern area of Lima, and a benchmark for innovation, modernity, technology, sustainability, entrepreneurship and development. In the process of approval, the signing of a Cooperation Agreement with the Ministry of Production to start structuring the project.

- **INVESTMENT US$ MM**
  650

- **TERM**
  30 years

- **MODALITY**
  Asset project Public Initiative

- **STAGE**
  Structuring

- **REGIONS**
  Lima

- **MORE INFORMATION**
  [Go to the webpage](#)
EL ALGARROBO - PIURA MINING PROJECT

Exploration, exploitation through an underground mine and the benefit of a mineralized deposit located in the mining concessions Tambo Grande N° 4, Tambo Grande N° 5, Tambo Grande N° 9 and Tambo Grande N° 10, which make up the “El Algarrobo Project”. Design and execution of hydraulic infrastructure projects, applying a management model focused on the integral, sustainable and sustainable development of mining activities, contributing to the water supply to the populations.

- INVESTMENT US$ MM
  350

- TERM
  5 years

- MODALITY
  Asset project Privated Initiative

- STAGE
  Formulation

- REGIONS
  Piura

- MORE INFORMATION
  Go to the webpage
2. WORKS FOR TAXES PIPELINE

The projects pipeline under the Works for Taxes mechanism has a total of 461 projects distributed in different sectors with a total investment of US$2.8 billion. The five main sectors are Education (162 projects), Health (48 projects), Transport (43 projects), Sanitation (42 projects) and Energy (42 projects).26

Investment by Sectors (in US$ millions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Projects</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>162</td>
<td>655</td>
</tr>
<tr>
<td>Health</td>
<td>48</td>
<td>327</td>
</tr>
<tr>
<td>Transport</td>
<td>43</td>
<td>556</td>
</tr>
<tr>
<td>Sanitation</td>
<td>42</td>
<td>522</td>
</tr>
<tr>
<td>Energy</td>
<td>42</td>
<td>313</td>
</tr>
<tr>
<td>Planning</td>
<td>6</td>
<td>69</td>
</tr>
<tr>
<td>Public Order and Security</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Sport</td>
<td>19</td>
<td>83</td>
</tr>
<tr>
<td>Culture</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Telecom</td>
<td>1</td>
<td>63</td>
</tr>
<tr>
<td>Commerce</td>
<td>15</td>
<td>82</td>
</tr>
<tr>
<td>Environment</td>
<td>6</td>
<td>28</td>
</tr>
<tr>
<td>Farming</td>
<td>40</td>
<td>118</td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)

Investment by Region (in US$ millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ucayali</td>
<td>63</td>
</tr>
<tr>
<td>Tumbes</td>
<td>30</td>
</tr>
<tr>
<td>Tacna</td>
<td>21</td>
</tr>
<tr>
<td>San Martín</td>
<td>33</td>
</tr>
<tr>
<td>Puno</td>
<td>91</td>
</tr>
<tr>
<td>Piura</td>
<td>200</td>
</tr>
<tr>
<td>Pasco</td>
<td>4</td>
</tr>
<tr>
<td>Moquegua</td>
<td>75</td>
</tr>
<tr>
<td>Madre de Dios</td>
<td>44</td>
</tr>
<tr>
<td>Loreto</td>
<td>91</td>
</tr>
<tr>
<td>Lima</td>
<td>151</td>
</tr>
<tr>
<td>Lambayeque</td>
<td>13</td>
</tr>
<tr>
<td>La Libertad</td>
<td>63</td>
</tr>
<tr>
<td>Junín</td>
<td>40</td>
</tr>
<tr>
<td>Ica</td>
<td>19</td>
</tr>
<tr>
<td>Huánuco</td>
<td>41</td>
</tr>
<tr>
<td>Huancavelica</td>
<td>103</td>
</tr>
<tr>
<td>Cusco</td>
<td>438</td>
</tr>
<tr>
<td>Callao</td>
<td>20</td>
</tr>
<tr>
<td>Cajamarca</td>
<td>141</td>
</tr>
<tr>
<td>Ayacucho</td>
<td>157</td>
</tr>
<tr>
<td>Arequipa</td>
<td>143</td>
</tr>
<tr>
<td>Apurímac</td>
<td>78</td>
</tr>
<tr>
<td>Áncash</td>
<td>723</td>
</tr>
<tr>
<td>Amazonas</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)

It should be noted that for August 2020 there are 37 projects, with an estimated investment of US$150 million, expected to be awarded in 2020.

The regions with the highest estimated investment in Works for Taxes pipeline are Madre de Dios with US$22 million within 1 project, Loreto with US$22 million within 2 projects, Apurímac with US$18 million within 1 project, Lima with US$18 million within 8 projects and Ucayali with US$13 million within 2 projects.

### Investment by Sectors (in US$ millions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investment (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>6</td>
</tr>
<tr>
<td>Sport</td>
<td>0</td>
</tr>
<tr>
<td>Sanitation</td>
<td>3</td>
</tr>
<tr>
<td>Healthcare</td>
<td>7</td>
</tr>
<tr>
<td>Transport</td>
<td>27</td>
</tr>
<tr>
<td>Public Order and Security</td>
<td>21</td>
</tr>
<tr>
<td>Education</td>
<td>86</td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)

### Investment by Region (in US$ millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>Investment (in US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piura</td>
<td>7</td>
</tr>
<tr>
<td>Moquegua</td>
<td>6</td>
</tr>
<tr>
<td>Tumbes</td>
<td>8</td>
</tr>
<tr>
<td>Junín</td>
<td>2</td>
</tr>
<tr>
<td>Cusco</td>
<td>5</td>
</tr>
<tr>
<td>Ica</td>
<td>9</td>
</tr>
<tr>
<td>Huánuco</td>
<td>7</td>
</tr>
<tr>
<td>La Libertad</td>
<td>10</td>
</tr>
<tr>
<td>Ucayali</td>
<td>13</td>
</tr>
<tr>
<td>Lima</td>
<td>18</td>
</tr>
<tr>
<td>Apurímac</td>
<td>18</td>
</tr>
<tr>
<td>Loreto</td>
<td>22</td>
</tr>
<tr>
<td>Madre de Dios</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)
WORK FOR TAXES (WT) PROJECT PIPELINE

For the 2020 period, 37 projects are being mainly promoted with an estimated investment amount of US$150 million.

For more information about these projects click here
List of Work for Taxes Projects Portfolio that can be awarded in 2020

<table>
<thead>
<tr>
<th>Institution</th>
<th>Investment (US$)</th>
<th># Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINEDU</td>
<td>63,209,336</td>
<td>3</td>
</tr>
<tr>
<td>MININTER</td>
<td>18,061,425</td>
<td>8</td>
</tr>
<tr>
<td>Municipalidad Provincial de Atalaya</td>
<td>11,885,993</td>
<td>1</td>
</tr>
<tr>
<td>Gobierno Regional de La Libertad</td>
<td>9,942,903</td>
<td>5</td>
</tr>
<tr>
<td>MINSA</td>
<td>7,353,543</td>
<td>1</td>
</tr>
<tr>
<td>Gobierno Regional de Ica</td>
<td>6,909,135</td>
<td>1</td>
</tr>
<tr>
<td>Municipalidad Provincial de la Convencion</td>
<td>2,481,180</td>
<td>1</td>
</tr>
<tr>
<td>Municipalidad Distrital de Lucre</td>
<td>2,060,926</td>
<td>1</td>
</tr>
<tr>
<td>Municipalidad Distrital de El Carmen</td>
<td>2,031,325</td>
<td>2</td>
</tr>
<tr>
<td>Municipalidad Provincial de Coronel Portillo</td>
<td>1,365,505</td>
<td>1</td>
</tr>
<tr>
<td>Universidad Nacional del Centro del Peru</td>
<td>1,116,068</td>
<td>1</td>
</tr>
<tr>
<td>Municipalidad Distrital de Sunampe</td>
<td>432,517</td>
<td>1</td>
</tr>
<tr>
<td>Municipalidad Distrital de Cahuapanas</td>
<td>100,992</td>
<td>1</td>
</tr>
<tr>
<td>Gobierno Regional de Tumbes</td>
<td>8,447,315</td>
<td>2</td>
</tr>
<tr>
<td>Municipalidad Provincial de Ilo</td>
<td>6,380,125</td>
<td>2</td>
</tr>
<tr>
<td>Municipalidad Distrital de Tambogrande</td>
<td>4,621,474</td>
<td>3</td>
</tr>
<tr>
<td>MVCS</td>
<td>726,427</td>
<td>1</td>
</tr>
<tr>
<td>Municipalidad Distrital de Castilla</td>
<td>2,144,555</td>
<td>1</td>
</tr>
<tr>
<td>Universidad Nacional Autonoma Altoandina de Tarma</td>
<td>1,021,780</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150,292,524</strong></td>
<td><strong>37</strong></td>
</tr>
</tbody>
</table>

Source: ProInversión (2020)

3. GOVERNMENT TO GOVERNMENT PIPELINE

As announced in President Martín Vizcarra's National Independence Day holiday speech, the Government-to-Government mechanism will be used for the development of emblematic infrastructure projects. The approximate investment commitment is estimated at US$12 billion.

Government to Government Pipeline

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Location</th>
<th>Estimated Investment US$ MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line 3 and 4 of the Lima and Callao Metro</td>
<td>Transport</td>
<td>Lima</td>
<td>8,501</td>
</tr>
<tr>
<td>Improvement of the central highway (section Ricardo Palma Bridge - La Oroya)</td>
<td>Transport</td>
<td>Lima</td>
<td>419</td>
</tr>
<tr>
<td>24 sanitation and drinking water projects</td>
<td>Sanitation and Water</td>
<td>Peru</td>
<td>1,417</td>
</tr>
<tr>
<td>44 Hospitals</td>
<td>Health</td>
<td>Peru</td>
<td>850</td>
</tr>
<tr>
<td>75 Schools</td>
<td>Education</td>
<td>Peru</td>
<td>850</td>
</tr>
<tr>
<td><strong>Total Investment</strong></td>
<td></td>
<td></td>
<td><strong>12,037</strong></td>
</tr>
</tbody>
</table>

Source: OSCE, National Independence Day holiday speech - July 28, 2020
ACCESS TO INFRASTRUCTURE FINANCING

1. LOCAL AND INTERNATIONAL PLAYERS IN PERU

One of the key incentives for governments to promote and develop infrastructure projects through PPP is the possibility of attracting alternative financing resources from different sources. The financing mechanisms most commonly used in PPP are 1) government funding or guarantees, 2) traditional project finance, or a mixture of both. In 1) government participates in funding capital investments or granting some guarantees, among others, to support the country's infrastructure development and to encourage financial institutions to participate in the funding of these projects, while in 2) third-party funding is supported by revenues generated solely by the project's operations. Thus, an evaluation of the project's bankability becomes crucial. Either way, a Special Purpose Vehicle (SPV) is created exclusively to develop the project, access funding and isolate project risks.

In this context, during the early stages of the structuring phase, to ensure the viability of the projects it is essential to develop bankable infrastructure projects that will have the capacity of attracting capital. In addition, it is necessary to carry out market reads to know how willing the financial market is to finance this type of projects in order to achieve financial closing. The concessionaire or SPV must secure the funds required to finance the costs of the project, which include civil works, procurement and all initial expenses to accomplish the obligations of the construction phase.

As mentioned in the previous section, in the last few years the Peruvian government has increased the participation of the private sector in developing infrastructure projects through different mechanisms, including PPP. Consequently, both government and private sector understand the dynamics of these projects and therefore, most of the requirements demanded by local and international financial entities. Primarily, these participants take into consideration the characteristics of the projects and the terms, guarantees and risk mitigation mechanisms established in PPP contracts. On the other hand, concessionaires seek for the best financing conditions available in the market, which will depend also on the macroeconomic conditions of the country, track record on PPPs and financial variables such as the debt instruments used, interest rate, debt term, currency, among others.

Funding infrastructure projects in Peru has included the participation of two financing sources:

1. the traditional financial system, including banks, multilaterals and development institutions, and
2. The capital market. The chart below presents the financial institutions that have participated as direct lenders, mandated lead arrangers and bond arrangers for achieving the financial closing in PPP projects, for diverse sectors, between 2008 and 2019, according to IJ Global:

### Financial institutions financing Infrastructure projects

<table>
<thead>
<tr>
<th><strong>Local Financial Institutions</strong></th>
<th><strong>Sector</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco de Crédito del Perú</td>
<td>Ports, Power, Railway, Roads</td>
</tr>
<tr>
<td>Banco Internacional del Perú</td>
<td>Power, Roads</td>
</tr>
<tr>
<td>BBVA</td>
<td>Oil&amp;Gas, Ports, Power, Railway, Roads, Water</td>
</tr>
<tr>
<td>Scotiabank</td>
<td>Ports, Power</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Multilateral and Development institutions</strong></th>
<th><strong>Sector</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporacion Andina de Fomento</td>
<td>Ports, Water</td>
</tr>
<tr>
<td>Inter-American Development Bank</td>
<td>Railway</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>Railway</td>
</tr>
<tr>
<td>KfW Development Bank</td>
<td>Ports, Railway</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>International Financial Institutions</strong></th>
<th><strong>Sector</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>Healthcare, Railway</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td></td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>Power, Water</td>
</tr>
<tr>
<td>Cassa Depositi e Prestiti</td>
<td>Railway</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Railway</td>
</tr>
<tr>
<td>Credit Agricole Group</td>
<td>Power, Railway</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Railway</td>
</tr>
<tr>
<td>DnB NOR Bank</td>
<td>Ports, Power</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>Power, Roads</td>
</tr>
<tr>
<td>HSBC</td>
<td>Ports, Power</td>
</tr>
<tr>
<td>ING Group</td>
<td>Power</td>
</tr>
<tr>
<td>Instituto de Credito Oficial</td>
<td>Railway</td>
</tr>
<tr>
<td>Intesa Sanpaolo</td>
<td>Railway</td>
</tr>
<tr>
<td>Itau BBA</td>
<td>Ports</td>
</tr>
<tr>
<td>Mitsubishi UFJ Financial Group</td>
<td>Railway</td>
</tr>
<tr>
<td>Mizuho Financial Group</td>
<td>Railway</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Railway</td>
</tr>
<tr>
<td>MUFG Bank</td>
<td>Power</td>
</tr>
<tr>
<td>Natixis</td>
<td>Ports, Railway</td>
</tr>
<tr>
<td>Novo Banco</td>
<td>Power, Telecommunications</td>
</tr>
<tr>
<td>Santander</td>
<td>Ports, Railway</td>
</tr>
<tr>
<td>Societe Generale</td>
<td>Ports, Power, Railway</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>Ports</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>Railway, Roads</td>
</tr>
<tr>
<td>WestLB</td>
<td>Ports, Power</td>
</tr>
</tbody>
</table>

Source: IJ Global Database
Regarding the local institutions, the biggest four banks in the country\textsuperscript{27} have been involved in these transactions: Banco de Crédito del Perú (BCP), Banco Internacional del Perú (INTERBANK), BBVA and Scotiabank, mostly in Power, Oil & Gas, Water & Sanitation and Transport sectors, which includes Ports, Railway and Roads sub-sectors. Multilateral development banks and development institutions such as the Inter-American Development Bank, International Bank for Reconstruction and Development, Corporación Andina de Fomento (CAF) and KfW Development Bank, also played an important role in providing financial support for the development of infrastructure projects in Peru, specifically in Water & Sanitation, and Transport sectors. Likewise, foreign institutions have shown great interest in funding local projects in Power, Healthcare, Water & Sanitation, Telecommunications and Transport sectors, including American, European and Asian financial entities.

According to the IJ Global transaction database, between 2008 and 2019 the amount of debt financing transactions for financial closing purposes in infrastructure projects in Peru has been US$6,993.2 million, distributed as follows:

| Debt operations used for financial closing purposes, 2008 – 2019 (in US$ millions) |
|---------------------------------|-----------------|
| Bank and Multilateral loans     | 4,142           |
| Commercial Bonds                | 2,141           |
| Bridge and Revolving Working Capotal Facilities | 410 |

Source: IJ Global Database

Bank and multilateral loans represent 61.9% of total amount of debt transactions, followed by commercial bonds with 32% and revolving facilities with 6.1%. The distribution among sectors is divided as follows:

<table>
<thead>
<tr>
<th>Sector distribution of financing transactions (in percentages %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway 51%</td>
</tr>
<tr>
<td>Roads 14%</td>
</tr>
<tr>
<td>Ports 11%</td>
</tr>
<tr>
<td>Power 9%</td>
</tr>
<tr>
<td>Water 5%</td>
</tr>
<tr>
<td>Telecommunications 4%</td>
</tr>
<tr>
<td>Oil &amp; Gas 3%</td>
</tr>
<tr>
<td>Irrigation 2%</td>
</tr>
<tr>
<td>Healthcare 1%</td>
</tr>
</tbody>
</table>

Source: IJ Global Database

\textsuperscript{27} Estimation according to the amount of total assets of the banking system, calculated by the Peruvian Superintendence of Banking, Insurance and Pension Funds (SBS).
The Transport sector, including railway, roads and ports sub-sectors, represents the highest proportion of debt financing transactions with 76%, followed by the Power sector (9%), Water & Sanitation (5%), Telecommunications (4%), Oil & Gas (3%), Irrigation (2%) and Healthcare infrastructure (1%).

These results show the various transactions executed by concessionaires for achieving the financial closing of PPP projects in Peru, in the banking system and capital markets. As we know, both markets provide funding alternatives with conditions and terms to be evaluated by the SPV in order to find the best financing options for the projects, for the construction (financial closing) and operation and maintenance activities. For instance, the bond market has become an important funding source for infrastructure projects in the country, in which pension funds represent one of the key investors.

These investors seek this kind of investment opportunities to generate long term returns compatible with their objectives.

According to the Superintendence of Banking, Insurance and Pension Funds (SBS) of Peru, for 2008 - 2019 period, pension fund investments in infrastructure projects have increased at a compounded annual growth rate of 5.3%, which represents the interest of these institutional investors in long term moderate risk investments. As of December 31st, 2019, the investment portfolio in infrastructure projects of local pension funds was worth US$4,349 million, which comprises issuances of companies (with infrastructure projects), infrastructure investment funds and infrastructure projects. The following charts present the annual evolution of the portfolio by sector and sub-sector for the period 2008 - 2019:
The graphs above show the evolution of investment in different sectors, led by the Power and Transport sectors, which in 2019 both represented 62.2% and 21.3%, respectively, of the total portfolio. Regarding the sub-sector distribution, in 2019 pension funds have an important amount invested in electric power generation (32.3%) and roads projects (20.8%). The next chart presents the bond issuers as of December 31st, 2019, which include companies, infrastructure investment funds and infrastructure/PPP projects.
### List of bond issuers - as of December 31st, 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Telecommunications</strong></td>
<td>Telefónica Móviles, América Móviles, Telefónica del Perú, Red Dorsal</td>
</tr>
<tr>
<td><strong>Power</strong></td>
<td></td>
</tr>
<tr>
<td>Electric power distribution</td>
<td>Luz del Sur, Edelnor, Fondo de Inversión Energético Americano de Larraín Vial</td>
</tr>
<tr>
<td>Hydroelectric power projects</td>
<td>Consorcio Trasvase Olmos, Fondo de Inversión Energético Americano de Larraín Vial</td>
</tr>
<tr>
<td>Hydrocarbon</td>
<td>Relapasa, Transportadora de Gas del Perú, Perú LNG, Plus Camisea, Fondo de Inversión Energético Americano de Larraín Vial, Maple, Hunt Oil, Calidda, Plus Lote 56, Fondo de Inversión en Infraestructura de AC Capitales</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
</tr>
<tr>
<td>Railway</td>
<td>Fondo de Inversión en Infraestructura de AC Capitales</td>
</tr>
<tr>
<td>Airports and Ports</td>
<td>Terminales Portuarios Euroandinos - Paita, Lima Airport Partners, Andino Investmen Holdings y Fondo de Inversión en Infraestructura de AC Capitales</td>
</tr>
<tr>
<td><strong>Water and Sanitation</strong></td>
<td></td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>H2Olmos, Consorcio Agua Azul, Fondo de Inversión en Infraestructura de AC Capitales y Fideicomiso de Infraestructura.</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td></td>
</tr>
<tr>
<td>Healthcare infrastructure</td>
<td>Peru Payroll Deduction Finance Limited</td>
</tr>
</tbody>
</table>

Source: Superintendence of Banking, Insurance and Pension Funds (SBS) - Peru

Some of the projects included in this list are: Red Dorsal Nacional de Fibra Optica (Telecommunications), IIRSA Sur (Roads), IIRSA Norte (Roads), Rutas de Lima - Vías Nuevas de Lima project (Urban Roads) and the Lima Metro - Line 2 (Railway). Therefore, the information presented show the important role of pension funds in financing infrastructure projects in Peru.
2. FINANCIAL CLOSING RECENT SUCCESSFUL EXPERIENCES

In this section, we present two examples of recent successful financing transactions: 1) the financial closing of the Salaverry Port Terminal, which has been recently reached in 2020, and 2) the financial closing of the San Martin Terminal Port, in which EY had the financial adviser role.

The Salaverry Port Terminal is a self-financed PPP project that includes the design, finance, construction, operation and transfer of the port, which was awarded to Salaverry Terminal Internacional S.A.\textsuperscript{28} for 30 years, with an estimated investment of US$270.1 million. The financial closing was achieved in February 2020 after the approval of ProInversión of the financing documentation presented by the concessionaire. The transaction involved a syndicated loan of US$132 million for 8 years to finance the construction of the stages 1 and 2 of the port. The financial institutions who participated in this deal included local and international banks: Banco Santander, Itaú Corpbanca New York branch and BBVA Perú.

The San Martín Port Terminal is a project developed under a self-financed PPP scheme that includes the design, finance, construction, operation and transfer of the port, awarded to Consorcio Paracas\textsuperscript{29} for 30 years, with an estimated investment of US$215 million. The concessionaire presented the required financial closing documentation for its approval in February 2018. The transaction involved a term loan of US$183 million provided by Banco Santander and Corporación Andina de Fomento (CAF) in the following terms: a term loan of US$41.5 million for 10 years, and two term loans of US$50 million and US$91.50 million for 18 years. In this transaction, EY played a key role as financial advisor in the public bidding process (which resulted in our Client becoming the awardee) and later seeking the financing. The latter included helping the concessionaire explore funding alternatives in the market and reaching financial closing with the funding alternative selected. The evaluation included the review of the contract terms, risk analysis and mitigation mechanisms available, as well as the development of the project's financial model.

The financial viability and development of infrastructure projects require a complete understanding of how financial markets work. In the early stages of the evaluation of projects, an optimal risk analysis is crucial in order to include the most efficient allocation arrangements between the parties and establish mitigation mechanisms to reduce any impact in the project.

\textsuperscript{28} Salaverry Terminal Internacional S.A. is a subsidiary of Trabajos Marítimos S.A. (TRAMARSA), a maritime and port operator based in Peru that belongs to the Grupo Romero.

\textsuperscript{29} Consorcio Paracas is comprised by Servinoga S.L., Pattac Empreendimentos e Participacoes S.A., Tucumán Engenharia e Empreendimentos Ltda., and Fortesolo Servicios Integrados Ltda.
In addition, the rules and conditions established in contracts must provide the potential lenders with guarantees that ensure the repayment of the debt obligations and mechanisms to avoid any interruption in the operations of the projects, such as the “step-in rights” regulated in Peruvian PPP Law. Thus, it is important to ensure an efficient risk allocation between the parties in order to avoid problematic situations in the future.

Market sounding activities are also necessary to anticipate all the details and requirements to be demanded by the potential lenders and evaluate the best combination of debt sources, among banks or capital markets, for each project. The feedback provided by the market will shape any aspects to be improved to ensure the viability of the projects throughout the long-term contract. Therefore, having a complete and updated understanding of local financial and capital markets as well as current appetite for financing infrastructure investments in Peru is an important contributing factor for raising the required funding for the projects.
LEGAL FRAMEWORK
PROMOTION OF THE PRIVATE INVESTMENT

Since 1993 the Peruvian government has begun a road to promote the national and foreign private investment. This road starts with our Political Constitution (1993) that is a cornerstone to encourage and guarantee, throughout, one of the most attractive legal frameworks of the region, the private investment.

One of the main principles of the promotion of the investment under the Peruvian legal framework is the non-discrimination principle in the treatment of foreign and local (Peruvian) investments.

Peru seeks to attract both domestic and foreign investment in all sectors of the economy. To achieve this goal, it has taken the necessary steps to establish a consistent investment policy that eliminates any barriers that foreign investors may face. As a result, Peru is considered a country with one of the most open investment systems in the world.

Peru has adopted a legal framework for investments that requires no previous authorization for foreign investment. In this regard, foreign investments are allowed without restrictions in the large majority of economic activities. The activities with restrictions are very specific. Additionally, Peru has a legal framework to protect the economic stability of investors and to reduce government interference in economic activities.

1. THE CONSTITUTION OF THE REPUBLIC OF PERU

- Peruvian and foreign investment are subject to the same conditions. As a consequence of this constitutional disposition, Peru's legal provisions, regulations, and practices do not discriminate between domestic and foreign corporations.

- Property rights are guaranteed by the Peruvian Government.

No one shall be deprived of its property, except, exclusively, due to national security or public need established by law and previous cash payment to the property titleholder of the appraised value, which shall include compensation for potential damages.

Foreign individuals and/or entities have the same treatment than the Peruvian ones. However, within fifty kilometers from the national borders, foreigners may not acquire or possess under any title, directly or indirectly, mines, lands, woods, water, fuel, or energy sources, whether individually or in partnership, under penalty of losing that acquired right in favor of the Peruvian Government. The only exception to this disposition involves cases of public need expressly established by a Supreme Decree.

- The Peruvian Government guarantees the free possession and disposition of foreign currency. Therefore, there are no restrictions on remittance of profits, international transfers of capital, or foreign exchange practices.
• The economic private initiative is free.
• The freedom of contract guarantees that parties may negotiate, according to the rules in effect at the time of the contract. Contract terms and conditions may not be modified by laws or any other provision whatsoever.

2. REGULATIONS AND RULES THAT ENCOURAGE THE PRIVATE INVESTMENT

Our Constitution is not the only regulation that encourages the private investment. Peru offers a favorable legal framework that protects foreign investors' interests by offering them:

• An equal and non-discriminatory treatment.
• Unrestricted access to the majority of economic sectors.
• Free capital transfer.

Additionally, Peruvian and foreign investors are provided with:

• Right to free competition.
• Guarantee of private property (no expropriations or nationalizations).
• Freedom to acquire shares in Peruvian corporations.
• Freedom to access internal and external credit.
• Freedom to transfer abroad profits from their investments in Peru and to pay royalties to non-domiciled entities.
• Simplicity for most operations, whether in local currency (Sol) or U.S. Dollars, without foreign exchange controls.

The main laws and regulations related to the promotion to the foreign private investment are:

• Legislative Decree N° 662, Legal Stability Scheme for Foreign Investments: According to this law, Peruvian Government encourages and guarantees foreign in all sectors of economic activity and in any of the business or contract forms allowed by national legislation.
• Legislative Scheme N° 757. Legal Framework for the Private Investment Growth: This law seeks to guarantee free initiative and private investments, already made or to be made, in all sectors of economic activity. It establishes rights, guarantees and obligations that are applicable to all individuals or entities, national or foreign, who invests in Peru.
PUBLIC PRIVATE PARTNERSHIPS (PPPs)

A Public-Private Partnership (PPP) is a form of private investment participation that involves expertise, knowledge, equipment, technology and distribution of risks and resources, preferably private, with the purpose of creating, developing, improving, operating or maintaining public infrastructure to provide public services, only providing public services and/or provide services related to those required by the government, and to develop projects of applied research and/or technological innovation.

1. LEGAL FRAMEWORK

PPPs and Private Initiatives are in general governed by the provisions of:

- The Legislative Decree Nº 1362 (hereinafter, the “PPP Law”), and;
- The regulations of the PPP Law approved by Supreme Decree No. 240-2018-EF (hereinafter the “Regulation of PPP Law”).

This legal framework is applicable to all entities of the non-financial public sector, at all levels of government.

It is important to mention that a PPP can be developed both through a government or private initiative (the latter also known as unsolicited proposal), which depends on whether the project is envisaged in the public or private sector.

PPPs enable the private sector to contribute with expertise, knowledge, equipment and technology to the financing, construction, operation and maintenance of public infrastructure. On the other hand, the government maintains property rights to the project infrastructure, including any new facilities built by the private investor. Usually, at the end of the contract, the property is transferred in favor of the government.

2. PHASES OF THE PPPs

The PPPs are carried out in five phases, as described in the following chart:

1. Planning and programming
   Includes the planning of projects and commitments (firm or contingent). Such planning is articulated with the Multi-annual Investment Program and it is materialized in the PPP Multiannual Investment Report in (IMIAPP).

2. Formulation
   Comprises the design and/or evaluation of the project, and it is materialized in the Evaluation Report. This phase ends with the incorporation of the project to the promotion process.

3. Structuring
   Includes the approval of the Promotion Plan, consultation with government entities and the design of the PPP contract.

4. Transaction
   The transaction phase entails the public bidding. This phase end with the signing of the PPP contract.

5. Contract performance
   Includes the financing, construction, operation and maintenance of the project by the private investor.
3. TYPES OF PPPs

The PPPs may be self-financed or co-financed\(^1\).

- **Self-financed**: A PPP project with its own income-generating capacity that does not require co-financing from the Government.

- **Co-financed**: A PPP project that requires, by the Government, co-financing or the granting or contracting of financial guarantees or non-financial guarantees that have a significant probability of requiring co-financing, where:

<table>
<thead>
<tr>
<th>Guarantee</th>
<th>Self-financed</th>
<th>Co-financed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Guarantees</strong></td>
<td>Those guarantees that do not exceed 5% of the total investment cost or the total cost of the project (if there are no investment activities).</td>
<td>Those guarantees that exceed the limit of 5% of the total investment cost or the total cost of the project (if there are no investment activities).</td>
</tr>
<tr>
<td><strong>Non-Financial Guarantees</strong></td>
<td>The probability of requesting the use of public resources is minimal or nonexistent, meaning that the probability of using public resources does not exceed 10% for any of the first 5 years of project guarantee period.</td>
<td>The referred probability exceeds the limit of 10% for any of the first 5 years of project guarantee period.</td>
</tr>
</tbody>
</table>

Besides, the PPPs can be classified considering its inception in government initiatives and private initiatives (unsolicited bids).

- **Government initiatives**: The government (through of one of its levels) identifies and launches a project.

- **Private initiatives (unsolicited bids)**: The private sector identifies and proposes the project to the government.

In the private initiatives, the government evaluates the unsolicited proposal submitted by the private sector. First, the government reviews if the unsolicited proposal has been elaborated, according to the private initiative regulations. Then, if the private initiative has been admitted by the government, it shall issue an opinion regarding if the private initiative is relevant and consistent with the entity's plans.

Finally, the entity can declare the interest of the project submitted through a private initiative. In this case, the entity gives 90 days to other companies to participate in a bidding process with the company that submitted the private initiative. If, after the 90 day there are no more companies, the company that submitted the private initiative will be awarded with the execution of the project without competing against third parties.

---

\(^1\) [https://www.investinperu.pe/modulos/JER/PlantillaStandard.aspx?are=1&prf=0&jer=5932&sec=17](https://www.investinperu.pe/modulos/JER/PlantillaStandard.aspx?are=1&prf=0&jer=5932&sec=17)
The private initiatives have two main benefit to the private sector, specifically to the company that submits the private initiative:

- In case of an opening to the competition through a bidding process, if the company submits a valid technical and economic proposal, it is entitled to tie the proposal that reached the first place. Afterward, the submitter and the first-place company can submit another proposal as a tiebreaker mechanism.

- In case of an opening to the competition through a bidding process, if the submitter has submitted a valid economic proposal, and if the project is awarded to a third party; the costs of the private initiative can be reimbursed in favor of the submitter up to a 2% of the Total Cost of the Project or the Total Cost of the Investment.

4. ADVANTAGES OF THE PPPs

- The risks are allocated considering the party who is in the best position to manage with the risk.

- The provision of public services to the citizens is benefitted from the expertise of the private sector.

- By integrating the operation and maintenance of the infrastructure through a long-term contract, the private sector will have adequate incentives to design and build such infrastructure efficiently.

- Public infrastructure can be provided without spending government resources (in the case of the self-financed PPPs) or -in the case of co-financed PPPs- government payments to the private sector for the construction of the infrastructure is distributed throughout a longer term because the private sector will finance the project.

5. KIND OF COMMITMENTS OF THE PERUVIAN GOVERNMENT

According to the PPP legislation, the government may assume two kinds of commitment:

- **Firm commitments:**
  The firm commitments are the payment obligations of specific or quantifiable amounts made by the government in favor of the private company. It is a consideration for the performance of the PPP contract.

- **Potential Commitments:**
  They are the potential payment obligations made by the government in favor of the private company, set forth in the PPP contract, arising from the occurrence of one or more events corresponding to the own risks of the PPP project. The payment of this obligation is subject to the occurrence of a certain event established in the PPP contract. Therefore, only if such event occurs, the Peruvian Government will fulfill the commitment.
6. ROLE OF AUTHORITIES

Private Investment Promotion Body:
The public entity responsible for the operation, management, and allocation of a PPP project is the Private Investment Promotion Body (the “OPIP” by its initials in Spanish). Depending on the scope the OPIP may be:

<table>
<thead>
<tr>
<th>OPIP</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>ProInversión</td>
<td>• PPP projects of national competence originated by government initiative that are multi-sectoral.</td>
</tr>
<tr>
<td></td>
<td>• PPP projects of national competence originated by a government initiative that has a total investment cost, or a total cost of the project (in case of project without investment component) greater than forty thousand (40,000) Tax Units - UIT(^2) (S/172 Million).</td>
</tr>
<tr>
<td></td>
<td>• PPP projects of national competence originated by self-financed private initiative.</td>
</tr>
<tr>
<td></td>
<td>• PPP projects under public entity competence enabled by express law, originated by self-financed private initiative.</td>
</tr>
<tr>
<td></td>
<td>• Projects regarding any level of government and projects under public entity competence enabled by express law, originating by self-financed private initiative.</td>
</tr>
<tr>
<td></td>
<td>• Projects developed through the Competitive Dialogue mechanism.</td>
</tr>
<tr>
<td></td>
<td>• Projects that by express legal provision that are assigned to ProInversión</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPIP</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPIP of the respective Ministry</td>
<td>The probability of requesting the use of public resources is minimal or nonexistent, meaning that the probability of using public resources does not exceed 10% for any of the first 5 years of project guarantee period.</td>
</tr>
<tr>
<td>OPIP of the respective regional government</td>
<td>Projects of its competence that covers more than one province.</td>
</tr>
<tr>
<td>OPIP of the respective local government</td>
<td>Projects of its own competence.</td>
</tr>
</tbody>
</table>

MINISTRY OF ECONOMY AND FINANCE:
Ministry of Economy and Finance (MEF) is the governing body and the highest technical-regulatory authority of the PPP system and its function is to ensure and articulate compliance with the National Policy for the Promotion of Private Investment in PPP.

OTHER AUTHORITIES:
The Ministries (for projects within their specific sectors), the Regulatory Agencies and the General Controller of the Republic Office, also have specific roles in the PPP system.

\(^2\) The Tax Unit - UIT is S/4,300 for the year 2020.
This mechanism develops the cases in which the private investor seeks to carry out a project on an asset owned by the government, either as owner, possessor, lessee, or other kind of real estate permitted by law. However, such projects will be carried out without compromising government resources.

The private investment on assets owned by the Peruvian Government is promoted through the respective OPIP (considering that this OPIP can belonged to ministries, regional and local governments), deeming the following scenarios:

- Disposal of assets, including transfer in whole or in part.
- Use, lease, usufruct, surface or other way allowed by the Peruvian legislation.

The Peruvian Legal Framework of the Projects in Assets is the same that the one applicable to PPPs. It is the PPP Law and the Regulation of the PPP Law.

The main difference between a PPP and a PA is that while in the former the government can use its own resources and there is a risk allocation between the private sector and the government, in the latter the private sector assumes all risks related to the project and such project will never use government's resources.

The Work for Taxes regime is an efficient tool of Corporate Social Responsibility, allowing the application, as a credit against corporate income tax, of the amount of the projects undertaken by private companies on behalf of regional governments, local governments, public universities and national government's entities in several sectors (such as education, health, security, tourism, agriculture, irrigation, culture, sanitation, sports and environment, among others).

This regime is a “win - win” because the government wins with the projects' construction or implementation, the citizens improve their quality of life through these projects and private companies directly improve their brand as socially responsible by undertaking these projects.

The Work for Taxes regime consists in the participation of a private company jointly with a government entity to develop and execute a public investment project. Upon the signature of an agreement (the “Investment Agreement”), the private company is committed to implement a public investment project in exchange for the recognition of the investment as a credit against corporate income tax, through the issuance of an investment certificate (called CIPRL or CIPGN, by its initials in Spanish), depending if the agreement is entered, in the first case, with regional and local governments, public universities or, in the latter case, agreements with a national governmental entity.
1. LEGAL FRAMEWORK

- Unified Text of the Law N° 29230 - Regional and local public investment with private sector participation Law, approved by Supreme Decree N° 294-2018-EF.

- Unified Text of the Regulations of Law N° 29230 - Regional and local public investment with private sector participation Law Regulation, approved by Supreme Decree N° 295-2018-EF.

- Legislative Decree that allows Petroperu to, exceptionally, finance projects under Law No. 29230.

- Unified Text of the Law N° 30556 - Law that approves extraordinary provisions to face disasters, and authorizes and extends the scope of Law No. 29230, approved by Supreme Decree N° 094-2018-PCM.

- Unified Text of the Regulations of Law N° 30556- Regulation of the Law that approves extraordinary provisions to face disasters, and authorizes and extends the scope of Law No. 29230, approved by Supreme Decree N° 003-2019-PCM.

In order to understand the advantages provided by the regime, it is necessary to understand the following:

- Public Investment Projects:
  Public Investment Projects are provisions of government funds to create, expand, improve or recover the production or supply of goods or services for community capacity. This means that all Public Investment Projects should have a social purpose.

Public Investment Projects may include all pre-investment studies, architecture studies or engineering, infrastructure construction, implementation and maintenance of works.

Operative expenses, replacement of assets and third-party consulting or advice expenses will not be deemed as part of the budget of the public Investment Project.

- Public Investment Agreement:
  It is an agreement signed by the private company and the government entity, whereby the private company agrees to execute a particular public Investment Project.

The private company may execute the project directly or may sign a construction contract with a constructor in order to execute the project.

2. TYPES OF PUBLIC INVESTMENT PROJECTS

In order to carry out the work for taxes regime, there are two types of Public Investment Projects:

- Government Initiative:
  By recognizing a need, the government entity formulates a Public Investment Project to address the emerging need.

- Private Initiative (unsolicited proposal):
  The private sector submits a proposal of Public Investment Project, which must be evaluated by the government entity.
3. ADVANTAGES OF THE WORK FOR TAXES REGIME

This regime generates several benefits, such as the following:

- **From a private perspective:**
  The Work for Taxes regime enhances the development of social responsibility programs, improving the reputation of companies, and, hence, the relationship between the company with the community.

- **For the community:**
  This regime reduces the infrastructure gap, generating more employees. Besides, the coverage of public services is increased.

- **From the government perspective:**
  This regime contributes to the acceleration of projects.

4. ANNUAL CAPACITY CAP

For the year 2020, regional governments have -jointly- an annual capacity cap to invest in the work for taxes regime that it is equivalent to S/3,748,340,143 (approximately, US$1,070,000,000). The annual capacity cap of each region government can be found here.

For the year 2020, local governments have -jointly- an annual capacity cap to invest in the work for taxes regime that it is equivalent to S/11,322,835,113 (approximately, US$3,228,000,000). The annual capacity cap of each Local Government can be found here.

For the year 2020, public universities have -jointly- an annual capacity cap to invest in the work for taxes regime that it is equivalent to S/948,858,891 (approximately, US$270,240,000). The annual capacity cap of each university can be found here.

Usually, and according to the Legislative Decree N° 1275 the entities shall fulfill some fiscal mandatory dispositions. However, due to the current COVID-19 pandemic, the Urgency Decree N° 081-2019 have suspended, exceptional and temporally, the fulfilment of these fiscal dispositions for the fiscal year 2020.

---

3 The Tax Unit - UIT is S/4,300 for the year 2020.
5. REGIONAL AND LOCAL PUBLIC INVESTMENT CERTIFICATE (CIPRL) AND NATIONAL GOVERNMENT PUBLIC INVESTMENT CERTIFICATE (CIPGN)

ISSUANCE OF CERTIFICATES (CIPRL AND CIPGN)

An approval of the reception and quality of whole or milestones of the project are required in order to issue a CIPRL or a CIPGN.

In case the execution of the project lasts more than five (5) months, the private company may request to the public entity the issuance of quarterly certificates.

CIPRL are limited to resources obtained from Canon by every regional and local government as well as public universities, which are published by the Ministry of Economy and Finance. CIPGN are limited by ordinary resources of the national government that signs the agreement.

The Canon is the share attributed to the local and the regional governments, of the total income obtained by the Peruvian Government, for the economic exploitation of natural resources. Currently, the Peruvian legislation regulates the Mining Canon, the Hydro-energetic Canon, the Gas Canon, the Fishing Canon, the Forestry Canon and the Oil Canon.

It should be mentioned that the Canon is the base for the determination of the annual capacity cap of investments through work for taxes regime for regional and local governments as well as public universities.

CHARACTERISTICS OF THE CERTIFICATES (CIPRL AND CIPGN)

These certificates have the following characteristics:

- The issuance of the CIPRL and CIPGN requested by the government entities are carried out electronically through the platform of Valued Documents contained in the following electronic address: https://apps4.mineco.gob.pe/ciprlapp/
- The CIPRL and CIPGN may only be used against prepayments and annual corporate income tax.
- The CIPRL and CIPGN may be used with a limit of 50% of corporate income tax paid in the previous fiscal year.
- Whether, by the end of the year, CIPRL or CIPGN are not used, the private company may request a new certificate that will include the amount of the previous certificates plus an increase of 2%. This new issuance may also be requested when there are credits or remaining balances as a result of partially used certificates.
- If the certificate has not been used within 10 years, the private company might claim a refund to the Tax Administration.
- The certificates are negotiable so they can be transferred to third parties, except when the private company that signed the Investment Agreement has executed the works directly as a constructor.
GOVERNMENT TO GOVERNMENT AGREEMENTS (G2G)

Under G2G Agreements, a Government contracts the provision of goods, services (including construction) through a direct agreement with another Government. The latter can perform the agreement through its own government bodies or agencies, government companies, national private companies and/or foreign private companies.

The most representative of these agreements, in terms of investment and close in social gaps, is the one related with the Reconstruction with Changes (RCC) signed with United Kingdom (UK). Through this G2G, Peru would receive technical assistance services, supervision and Project Managers Officers - PMOs role from UK Government, which would act through its “delivery team”: UK private companies with plenty experience in the field.

Furthermore, Peru has recently signed many agreements under Government to Government (G2G) scheme with countries with plenty proven experience in infrastructure sector (See more in section 3.3.3).

1. LEGAL FRAMEWORK

Law Nº 30556, which approves extraordinary provisions for the interventions of the National Government to face disasters and that provides for the creation of the Authority for Reconstruction with Changes (ARCC), allows the ARCC and Ministries to enter into G2G agreements to complex interventions and conglomerates.

Further, the Legislative Decree Nº 1248, through its Article 4 authorized the subscription of G2G agreements for the hiring of management and provision of goods and/or services to carry out the Pan American and Parapan American Games Lima 2019.

2. NEW ENGINEERING CONTRACTS (NEC)

For the Pan American and Parapan American Games Lima 2019, the New Engineering Contracts - NEC were used (specifically the NEC3 version). The NEC are a very flexible standard contracts created by UK Institution of Civil Engineers (ICE) in England, similar to other standard contracts such as FIDIC, ICC, AIA, among others.

---

4 In 2017 there was a natural disaster (flood) in North of Peru (el “Niño Costero”) that produced serious damages to public infrastructure. The Government created the Authority to RCC to supervise and execute the public works, which includes important prevention measures.

5 Note that the construction of the works of the RCC itself (investment of US 2 billion approx.) would not be part of the G2G. Such works will be publicly bid to interested investors. Peruvian companies, UK ones and from any other market might participate in those public bids. Even though up to date the corresponding terms of reference for the public bids have not been published yet, it is expected that projects would be packaged so providing integral solutions, generating synergies and offering attractive amounts of investment for international market.
The NEC3 have been used to the provision of goods, services and works, considering all phases of a project cycle, from planning, design and project management to construction, maintenance and facilities management. Besides, NEC3 promotes the delivery of projects:

1. on time
2. on budget
3. to the highest standards

According to the Peruvian experience in NEC3, the main feature of this kind of agreements are the simplicity of the language, adequate allocation of risks and collaborative working.

---

6 https://www.neccontract.com/About-NEC/How-NEC-Contracts-Works
TAX FRAMEWORK
1. TAX REGIME APPLICABLE TO PERUVIAN ENTITIES (MAIN TAXES)

a. Corporate Income Tax (CIT)

- General considerations:
  Peruvian resident entities are subject to CIT on their worldwide taxable income. Branches and permanent establishments of foreign companies are taxed only over their Peruvian source income. The general CIT rate is 29.5%. This rate is applied over the taxpayer's net income, which is determined by deducting costs and expenses from the obtained revenues. The tax year starts on January 1 and ends on December 31. Annual CIT returns are filed around March 31 of the following year.

- Advanced payments:
  Resident companies are obligated to perform advanced payments determined by comparing the monthly installments resulting from the application of one of the following methods, whichever is highest:
  - Percentage method: apply 1.5% to the total net income of the month;
  - Coefficient method: divide the CIT calculated in the previous fiscal year by the total net income from the same period and apply the resulting coefficient to the net income for the month. Should the prepayments exceed the annual tax determined, the excess may be carried forward as a credit against subsequent CIT payments or may be asked for a refund.

- Deduction of expenses:
  The expenses incurred in the generation of revenues or in maintaining its source (so-called “causality principle”) are generally deductible for determining the CIT base. Some expenses are disallowed, as expenses incurred in transactions with residents in tax havens, non-cooperative jurisdictions as well as entities subject to preferential tax regimes (some exceptions apply).

- Tax loss relief:
  Taxpayers can choose between the following systems to get relief for their tax losses:
  - Losses can be carried forward for 4 consecutive years, beginning with the first subsequent year in which the losses arise (as an exception, 5 years in case of tax losses obtained in 2020); or,
  - Losses can be carried forward indefinitely, but with an annual limit equivalent to 50% of the taxpayer's taxable income of each subsequent year.

- Permanent establishment:
  A foreign company has a permanent establishment in Peru whether:
  - It has a fixed place within the country through which it carries out business activities in whole or in part;
b. Value Added Tax (VAT)

An 18% VAT applies to the following operations:

- Sale of goods within Peru
- Services performed within Peru and services performed by nonresidents economically used within Peru ("import" of services)
- Construction contracts
- First sale of real estate by the constructor, and
- Import of goods.

VAT applies a debit/credit monthly system by which input VAT derived from the acquisition of goods and services is used as tax credit against output VAT arising from taxable transactions.

The main requirements that have to be met for considering input VAT as a tax credit are the following:
- The acquisitions must be allowed as expenses or costs for CIT purposes
- Such acquisitions must be destined to transactions that are subject to taxation with VAT.

Any credit not used in a specific month may be carried forward in order to be utilized against future output VAT. It should be noted that VAT refunds in cash are only available for exports and for certain entities in pre-operating stages that meet specific conditions (See more in section 3.c).

c. Temporary Net Assets Tax (TNAT)

TNAT is applicable to resident entities (including branches and permanent establishments of foreign companies) that are not in pre-operating stage, and it is equivalent to 0.4% of the value of total net assets over S/1,000,000 (US$285,700 approx.)

The basis is the value of the assets set forth in the taxpayer's balance sheet as of 31 December of the previous year, adjusted for deductions and amortizations accepted by the regulations.

Note that do not form part of the tax basis goods delivered by the Peruvian Government to the concessionary used
for the provision of public services as well as the constructions made by the concessionary.

The amount of TNAT paid by taxpayers can be used as a tax credit against the CIT (even against advanced payments). If it is not totally offset, the remaining TNAT may be refunded by the Tax Authority.

d. Financial Transaction Tax (FTT)

This tax levies all debits and/or credits on bank accounts held by the taxpayers, among other similar transactions, by the application of a 0.005% rate. The following operations are exempted, among others, transactions carried out between accounts of the same holder and credits to bank accounts for concept of salaries. The FTT is deductible for CIT purposes.

2. TAX REGIME APPLICABLE TO NONRESIDENT ENTITIES

Nonresident entities are subject to withholding Income Tax (WHT) only over their Peruvian source income. IT Law considers as a Peruvian source, among others:

- Services provided in Peruvian territory (general rule): 30% of WHT rate.
- Technical assistance (economically used in Peru): 15% of WHT rate.
- Digital services (economically used in Peru): 30% of WHT rate.
- Dividends distributed by a Peruvian entity: 5% of WHT rate.

- Interest paid by a Peruvian entity or when the capital is economically used or placed in Peru: 4.99% if the following requirements are met:
  - In case of cash loans, the entrance into Peru of the foreign currency must be duly accredited;
  - The interest rate does not exceed Libor plus 7 points; and,
  - There is no economic relationship between lender and borrower. In case the loan granted does not comply with the requirements abovementioned a 30% WHT rate would apply.

Is important to mention that, until December 31, 2020 (probably to be extended), interests on development loans granted directly or through suppliers or financial intermediaries by international organizations or foreign government institutions are exempt from IT. Development loans are defined as debt operations intended to finance, among others, projects or programs for the development of the country in public infrastructure works and the provision of public services.

- Those obtained from credit transfers (factoring, etc.) in which the acquirer assumes the debtor’s credit risk, when the transferor of the credit or the debtor assigned is a domiciled taxpayer: 30% WHT rate.

However, since 2019, IT does not apply to the income for services obtained for the transfer of the receivable rights of the investor in the Public Private Partnerships contracts, when the acquirer assumes the risk of the debt.
A reduction of the above mentioned WHT rates would apply whether a Tax Treaty to avoid double taxation (DTT) has been signed by the Peruvian Government. Peru has currently a DTT with the following countries: Brazil, Chile, Canada, Portugal, South Korea, Switzerland and Mexico. Peru is also part of the Andean Community (along with Colombia, Ecuador and Bolivia) whereas a sort of DTT is in force (Decision 578).

3. TRANSFER PRICING RULES

Peruvian tax legislation states that transactions between related parties (and with tax havens, non-cooperative jurisdictions or entities subject to preferential tax regimes) must be carried out on an arm's length basis.

The prices of the transactions subject to transfer pricing rules shall be determined in accordance with any of the internationally accepted methods. The value agreed by the parties must only be adjusted when a lower tax payment has been generated in the country.

There are formal obligations for the taxpayers:
- Filling returns according with OECD standards (local report, master report and country-by-country report); and,
- Make available to the Tax Authorities enough evidence to support the value which is being agreed.

4. THIN CAPITALIZATION AND “TAX EBITDA” RULE

Peruvian CIT Law establishes limits to the amount of interests that can be deducted in order to determine CIT:

- Thin capitalization rule (2019 and 2020): The interests of indebtedness with related or not related parties will be deductible for the portion of debt not exceeding 3 times the debtor's net equity according to the balance sheet of the prior year.

- “Tax EBITDA” rule (since 2021): Under this rule, interests of indebtedness with a related or not related parties can be deducted up to 30% of Tax EBITDA (net income after offsetting losses plus net interest, depreciation and amortization) of the preceding year. Non-deductible interest exceeding the limit may be carried forward to the following 4 years but will again be subject to the 30% of EBITDA limitation of the correspondent year.

It must be highlighted that these rules are not applicable to taxpayers who, through Public Private Partnerships, carry out public infrastructure projects, public services, related services, applied research and/or technological innovations.
SPECIAL TAX RULES: CONSTRUCTION SERVICES

1. CORPORATE INCOME TAX (CIT)

CIT Law grants special treatment to construction companies with contracts covering more than one taxable year. In this case, the taxpayer may opt for one of the following methods for recognition of income for tax purposes (the advanced payments should be determined based on the chosen method):

- **First Method (Cash method):**
  It consists on assigning to each taxable year the gross income resulting from applying to the amounts collected for each work, during the business year, the percentage of gross profit calculated for the total of the entire works.

- **Second Method (Accrual method):**
  It consists on assigning to each taxable year the gross income established by deducting from the amounts collected or invoiced for the works performed during the business year, the corresponding costs and expenses to such works.

The method chosen must be the same for all the works performed by the taxpayer.

2. VALUE ADDED TAX (VAT)

The construction services have certain special rules in the VAT Law. In this case, the tax must be paid when the invoice is issued or the retribution is received, whichever occurs first (in other type of services, the tax recognition takes place in other moments, as the end of the service or the deadline of the payments).

Also, the construction services are subject to the detraction system (SPOT), by which payers are forced to deposit a percentage of the price (4% instead of higher percentages applicable to other services) in an account opened in the Peruvian National Bank in favor of the providers, instead of making the whole payment to them (the amount collected can be used to pay tax obligations or can be refunded a maximum of 4 times a year within the first 5 working days of January, April, July and October).

3. CONTRIBUTION TO THE NATIONAL TRAINING SERVICE FOR THE CONSTRUCTION INDUSTRY (SENCICO)

SENCICO is a contribution from taxpayers whose core business is the development of construction activities according to ISIC (International Standard Industrial Classifications) of the United Nations. The applicable rate is 0.2% of the total company income for labor, general expenses, technical direction, profits, and any other concept billed to the client, regardless of the construction contract executed.

The obligation to pay the contribution to SENCICO originates with the date of invoicing or the date on which the income is received, whichever event occurs first.
4. CONSORTIUMS AGREEMENT

It is common in the sector that companies develop projects through a consortium agreement (contract where two or more entities associate to participate in a certain business with the purpose of obtaining an economic benefit but maintaining their own legal autonomy).

As a rule, consortium agreement must have independent accounting except: (i) if due to the modality of the operation it is not possible to keep independent accounting; or, (ii) if the term of the contract is less than 3 years.

a. Consortium with independent accounting

- Is considered an independent taxpayer, subject to the fulfillment of formal and substantial tax obligations (get a Tax ID - RUC, determine taxes, file tax returns, among others).

- Operations between the consortium and the contracting parties qualify as operations with third parties subject to the corresponding taxes (CIT and VAT).

- If a contracting party has more than 30% of the rights over the contract profits, would be considered related party with the contract (among other situations established by IT Law). In this case, transfer pricing rules would apply.

b. Consortium without independent accounting

- This type of contract does not generate a taxpayer different from its contracting parties.

- Each part must account for their respective transactions (income, expenses/costs, input and output VAT) and determine their own taxes (CIT, VAT, etc.)

- Alternatively, contracting parties may choose an operator. In this case, the operator shall allocate income, costs and/or expenses, as well as VAT, to the contracting parties by means of an “Allocation Document”, so that they can determine their own taxes.
SPECIAL TAX RULES: PUBLIC PRIVATE PARTNERSHIPS

As previously mentioned, the Peruvian Government promotes private investments through concession agreements. It gives to the holder of the concession the grant to execute and exploit public infrastructure works and/or the provision of public services.

The concession may be granted under any of the following alternatives:

1. Self-sustainable agreement

   Special rules are applicable (mainly related to the concession assets):
   
   - Depreciation of the concession goods: The holder of the concession may annually depreciate the concession goods applying one of the following methods: (i) according to its useful life, up to a 20% annual rate, or (ii) during the concession period, under a straight-line method.
   
   - Amortization of the intangible assets: The holder of the concession may annually amortize the intangible assets: i) according to the useful life, up to 20% annual rate; or ii) during the concession period, under a straight-line method.
   
   - The transfer of the concession goods made by the holder of the concession in favor of the Peruvian Government, during or at the end of the concession term, is exempt from any tax (created or to be created taxes), as CIT and VAT.

   - The holder of the concession must apply the CIT and the VAT to the retribution of the activities allowed under the concession agreement subscribed with the Peruvian Government (i.e. tolls, tariffs, etc.)

2. Co-financed agreement

   The holder of the concession has to apply CIT and VAT to the payments made by the Peruvian Government under the rules applicable to the services in general and/or construction services (depending on the activities agreed with the Government).

Some benefits from Peruvian tax regime regularly applied in PPPs are:

a. Tax stability agreement:

   The Agency for the Promotion of Private Investment (ProInversión), on behalf of the Peruvian State, can enter into Stability Agreements guaranteeing foreign investors, among others, that CIT and dividends WHT freeze during the entire period of a PPP project, according to the rules stated at the date of signing of the agreement.

   For that purpose, it is required contributions to the capital of an established company or a company to be established in Peru for an amount not less than US$5,000,000. The investment can be made within a maximum 2 years-period.

   The term of the Stability Agreement is subject to the duration of the concession contract for the construction and use of public infrastructure works and/or the provision of public services.
b. Foreign currency accounting

Business transactions must be recognized in compliance with International Financial Reporting Standards (IFRS). The accounting records must be maintained in Spanish and must be expressed in Peruvian currency.

However, under certain requirements, companies may keep their accounting books in US Dollars for tax purposes. In this case, the taxpayer must receive foreign investment or realize foreign investment in foreign currency; sign an agreement with the Peruvian Government; use the amounts in the execution of the contract and communicate the decision to the Peruvian Tax Administration.

Under a US Dollars accounting, operations in this currency would not generate a foreign exchange difference subject to CIT (or deductible if it is related to operations that generates taxable income).

c. VAT Early Recovery

Legal entities developing projects currently in the pre-operational stage (which shall be longer than or equal to 2 years) may request the early recovery of the VAT before starting operations.

For such purpose, the company must file an application before ProInversión in order to get a Ministerial Resolution that will be published by the specific sector on which the developing projects is related to. The Ministerial Resolution grants the qualification as "beneficiary" to the Company, and then it can request the VAT to the Peruvian Tax Administration. The investment must be made during the pre-operational stage and may not be less than US$5’000,000.

This regime provides liquidity to the company by avoiding having an unused tax credit during the implementation period of the project.
LABOR FRAMEWORK
The Ministry of Foreign Affairs and EY feature a specialized Business and Investment guide with more detailed content. You can download it free of charge at: www.ey.com/pe

The civil construction regime is only applicable to those workers who are immersed in construction work, categorized as operators, officers and pawns.

For the workers who are not under this regime, the general labor regime is applied, which presents the following characteristics:

a. Labor Contracting:

Labor contracts may be concluded for an undetermined period of time or for a fixed term (subject to modality). In relation to the latter, they must be entered into in writing and must expressly state the reason for the temporary nature of the use of this type of contract.

b. Remuneration and Benefits:

The workers, not subject to the civil construction regime have the right to the following labor benefits, the cost of which is borne by the employer:

- **Vacation**: They are entitled to 30 calendar days of paid vacation leave for each full year of service, provided they have worked the minimum number of days required by law.

- **Legal gratuities**: These are two gratuities during the year, the first one is paid in July and the second one in December.

- **Extraordinary bonus**: it is equivalent to 9% of the legal gratuities, and is paid at the same time as the latter. If the worker is affiliated to the EPS (Health Care Provider), the bonus amounts to 6.75% of the legal bonuses.

- **Compensation for time of service (CTS)**: This is a social benefit for the provision of contingencies arising from the cessation of work and the promotion of the worker and his family. The payment is made through a deposit in the worker's bank account in the months of May and November. The worker is authorised to dispose of part of the CTS before the end of the employment relationship, subject to certain conditions.

- **Distribution of profits to workers**: Companies with more than 20 workers engaged in business income generating activities must distribute a percentage of their annual income before taxes among all their workers. The percentage of participation is fixed by law.

- **Household Allowance**: Workers who have one or more children under the age of 18 or, being these older ones, are pursuing higher or university studies, are entitled to this benefit until they reach the age of 24. This allowance is equivalent to 10% of the Minimum Vital Remuneration, as of the date S/93.
SPECIAL LABOR REGIME FOR CIVIL CONSTRUCTION

In Peru, there is a general regulation applicable to private sector workers, however, for certain sectors there is a special regulation.

One of these sectors is civil construction, which due to its particular characteristics determined by the possibility of the labor relationship (since its term is subject to the duration of the work or part of it), and by the relative location (since there is no fixed and permanent place where the construction work is performed), a special regulation is necessary.

Requirements:
The application of the civil construction regime is only possible as long as the following requirements are met:

1. Companies that are engaged in or promote construction activities.
2. The activity must be included in Major Division 5 of the United Nations International Standard Industrial Classification (ISIC).
3. Companies that, exclusively, execute works whose individual costs exceed 50 Tax Units (UIT in Peru) equivalent to S/215,000 (approximately US$63,235).

WORKER CATEGORY

Once the requirements are met, the regime applies only to those workers involved in the development of civil construction activities. These are categorized in:

• Operator:
  Personnel who have obtained a qualification in a certain specialty in the branch, among which we can point out the following: bricklayers, carpenters, electricians, painters, gasfitters, etc.

• Officers:
  Personnel who have not reached a certain qualification (semi-qualified) and who carry out the same occupations as the operator but who work as assistants to the operator.

• Pawns:
  Unqualified personnel who carry out auxiliary tasks in construction.

REMUNERATION AND BENEFITS

The remuneration and benefits of these workers are governed by collective agreements, concluded between employers and workers, each represented by their respective Federations.

These collective agreements are concluded annually, and the 2019-2020 Collective Labor Convention for Civil Construction is currently in force.

It is important to mention that, the remuneration of the civil construction workers consists of the daily salary plus the Unified Construction Bonus (BUC) and the following benefits if applicable:

1 The value of the Tax Unit is S/4,300.
In order to calculate the individual cost of the work, all expenses will be taken into account, including salaries and materials.
Table of salaries with social benefits (per day's wage)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Operator</th>
<th>Official</th>
<th>Pawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day Wage</td>
<td>70.30</td>
<td>55.40</td>
<td>49.70</td>
</tr>
<tr>
<td>Sunday Wage</td>
<td>11.72</td>
<td>9.23</td>
<td>8.28</td>
</tr>
<tr>
<td>Unified Construction Bonus (BUC)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUC 32%</td>
<td>22.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUC 30%</td>
<td>16.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUC 30%</td>
<td>14.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movility Bonus</td>
<td>Monday to Friday</td>
<td>Monday to Friday</td>
<td>Monday to Friday</td>
</tr>
<tr>
<td></td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td></td>
<td>Saturday and Sunday: 5.00</td>
<td>Saturday and Sunday: 5.00</td>
<td>Saturday and Sunday: 5.00</td>
</tr>
<tr>
<td>Vacations 10%</td>
<td>7.03</td>
<td>5.54</td>
<td>4.97</td>
</tr>
<tr>
<td>Christmas Gratuity</td>
<td>18.75</td>
<td>14.77</td>
<td>13.25</td>
</tr>
<tr>
<td>Extraordinary bonus (Law No. 29351) for Christmas bonus</td>
<td>1.69</td>
<td>1.33</td>
<td>1.19</td>
</tr>
<tr>
<td>National Holiday Gratuity</td>
<td>13.39</td>
<td>10.55</td>
<td>9.47</td>
</tr>
<tr>
<td>Extraordinary Bonus (Law No. 29351) for National Holiday Gratuity</td>
<td>1.21</td>
<td>0.95</td>
<td>0.85</td>
</tr>
<tr>
<td>Compensation 12% + Profitability 3%</td>
<td>10.55</td>
<td>8.31</td>
<td>7.46</td>
</tr>
<tr>
<td>Altitude bonus (from 3000 m.a.s.l.)</td>
<td>2.50</td>
<td>2.50</td>
<td>2.50</td>
</tr>
<tr>
<td>Household allowance</td>
<td>5.86</td>
<td>4.62</td>
<td>4.14</td>
</tr>
<tr>
<td>Education Allowance</td>
<td>0.26</td>
<td>0.14</td>
<td>0.13</td>
</tr>
<tr>
<td>Extra hour simple time</td>
<td>8.79</td>
<td>6.93</td>
<td>6.21</td>
</tr>
<tr>
<td>Extra hour 60%</td>
<td>14.06</td>
<td>11.08</td>
<td>9.94</td>
</tr>
<tr>
<td>Extra hour 100%</td>
<td>17.58</td>
<td>9.94</td>
<td>12.43</td>
</tr>
<tr>
<td>H.S. compensation 15%.</td>
<td>1.32</td>
<td>1.04</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Highly specialized bonus (BAE)

| Medium equipment operator BAE 8%: 5.62               | Not applicable | Not applicable |
| Heavy equipment operator BAE 10%: 7.03               | Not applicable | Not applicable |
| Electromechanical Operator BAE 15%: 10.55           | Not applicable | Not applicable |
| Operator Surveyor BAE 9%: 6.33                       | Not applicable | Not applicable |

Health insurance at the expense of the employer (EsSalud)

| 9% | 9% | 9% |

Complementary Risk Work Insurance

| Yes | Yes | Yes |

Life Insurance (Law)

| Yes | Yes | Yes |

*The amounts are daily and are expressed in Soles.
Peruvian law has regulated 2 mechanisms for organizing productive activities within civil construction works:
- The intermediation services
- Outsourcing with continuous posting workers.

Below are the differences in the way they are applied:

<table>
<thead>
<tr>
<th>Intermediation</th>
<th>Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>It involves the posting of employees from the intermediary company to the contracting company (user company). The intermediation can only use in the main activity on a temporary basis, (through occasional contracts or substitution contracts) and in complementary activities of the user company.</td>
<td>An integral service is provided, in such a way that the outsourcing company takes charge of a part of the productive process of the contracting company, and for it, it requires to post in a continuous way, its workers, to the facilities or places designated by the contracting company (main company).</td>
</tr>
<tr>
<td>Under no circumstances may workers provide services that involve the permanent execution of the main activity.</td>
<td>Services are provided in main activities of specialization or complementary to the contracting company. The contractor is responsible for the results of the services.</td>
</tr>
<tr>
<td>The workers who temporarily carry out main activities may not exceed 20% of the total workers of the contracting company.</td>
<td>It is not subject to any percentage limit.</td>
</tr>
<tr>
<td>The company that performs this service must register with the National Registry of Companies and Entities that carry out the intermediation activity for which the Labor Authority is responsible.</td>
<td>No registration required</td>
</tr>
<tr>
<td>The user company has control and management powers over the personnel.</td>
<td>The user company doesn't have control and management powers over the personnel.</td>
</tr>
<tr>
<td>The service company must provide a mandatory deposit to guarantee compliance with its labour obligations, respect to their posted employees.</td>
<td>Is not required to provide a deposit.</td>
</tr>
<tr>
<td>The service company can only be set up to posting workers. It must have a minimum capital of not less than 45 Tax Units (UIT).</td>
<td>The contracting company is constituted to provide an integral service.</td>
</tr>
</tbody>
</table>
Within the civil construction sector, labor outsourcing contracts are concluded with contractors and subcontractors. It is important to point out that the main company, the contractor and the subcontractor are all jointly and severally liable for the period of time that the personnel is on the job and for up to one year after the end of this period, for non-compliance with the law:

1. Payment of salaries and social benefits

2. Obligations towards the health system:
   Contributions to EsSalud (9%)

3. Obligations regarding social security:
   Withholding and payment of contributions to the National Pension System or the Private Pension System (AFP), contributions to the Complementary Risk Work Insurance and contracting the Life Insurance Act.

4. Obligations in respect of Occupational Safety and Health: Compensation for damages and services due to occupational accidents or diseases.
MAIN OBLIGATIONS REGARDING SURVEILLANCE, PREVENTION AND CONTROL OF COVID-19 IN CIVIL CONSTRUCTION WORKERS

MAIN OBLIGATIONS

1. Due to the spread of COVID-19, employers must comply with seven (07) guidelines for the surveillance, prevention and control of the health of workers at risk of exposure to COVID-19, in accordance with Ministerial Resolution Nº. 448-2020-MINSA.

The employer must guarantee the following:

- Cleaning and disinfection of workplaces.
- Assessment of the worker’s health condition prior to return or re-entry into the workplace.
- Mandatory hand washing and disinfection.
- Awareness of contagion prevention in the workplace.
- Preventive measures for collective application.
- Personal protection measures.
- Worker health surveillance in the context of COVID-19.

2. The Health Protocol for the Housing, Construction and Sanitation Sector was approved for the gradual and incremental start of activities in the resumption of activities, in accordance with Ministerial Resolution Nº. 087-2020-PRODUCE.

The employers who carry out construction works must implement the following during the State of Sanitary Emergency:

- A plan for surveillance, prevention and control of COVID-19 in the workplace.
- Preventive measures in the start-up or restart phase.
- Preventive measures in the implementation and closure phase.
- Protective measures at work.
- Preventive measures for off-site personnel.
- Measures for the operation of heavy machinery.
- Preventive measures in salesrooms.
- Protective measures for personnel with symptoms of infection.
EMPLOYMENTS

CONTRACTS FOR

INDIVIDUAL WHO

WILL PERFORM

ACTIVITIES IN

PERU

1. EMPLOYMENT CONTRACTS FOR

PERUVIAN CITIZEN

Peruvian law establishes that indefinite term contracts are the legal default scheme for hiring personnel in Peru, although as an exception, fixed term contracts can also be signed. The fixed term contracts by law require an objective cause that support a determinate period of hiring (for example, start-up of a new business, works or specific services, substitution, etc.) and its validity is conditioned to compliance with certain formal requirements.

All these contracts must comply with all the rights and benefits granted to employees by law.

2. EMPLOYMENT CONTRACTS FOR

EXPATRIATES

a. General aspects:
Foreigner contracts in Peru are regulated by a specific law which imply to hire specialized foreigners to cover positions that can not be filled with Peruvian personnel. The term of these work contracts should be up to 3 years renewable.

The contracts can be:
- Considering the limitative percentages or
- Exonerated of the limitative percentages

As a general rule, foreign employees should not exceed 20% of total personnel of the company. Additionally, wages paid to foreign employees should not exceed 30% of total payroll cost. Such limits can be waived for professionals and specialized technicians or management personnel of a new entrepreneurial activity or in case of a business reconversion, among others, supporting with the corresponding documentation.

These contracts must be approved the Ministry of Labor. Currently the approval of these documents is automatic since the registration of the documents.

b. Specific regulation for some nationalities:
There are some exceptions for hiring personnel of some nationalities such as:

- Andean Community: Bolivia, Colombia, Ecuador; Spain (Double Nationality Agreement)

- Mercosur nationalities: Argentina, Bolivia, Brasil, Paraguay, Uruguay, Chile, Colombia, Ecuador or conditions such as if the foreigner has Peruvian ascendancy in first degree or Peruvian descendants, among others. In these cases, the hiring treatment will be considering the scheme of Peruvian personnel and consequently the work contract will not need to be approved by a Labor entity (but communicated) or comply with the terms of the Hiring foreign personnel law.
MIGRATORY ASPECTS

1. WORK VISA

Allow foreigner workers who want to establish in Peru to perform subordinated activities for a local employer or independent activities to the private or public sector through a work contract approved by the Labor Authority, administrative relationship or a service contract.

This visa can be temporal (less than 1 year) or resident (1 year or more). In case of a renewal the work contract that support the visa must be valid for the time of extension of the visa.

Obtaining procedure:

a. Apply while the expatriate is abroad - Consular collection:
   Imply to have all the documents in Peru by the time of application and the documents will need to have all the legalizations needed such as consular legalizations/ apostille (Hague Convention) to be recognized in Peru and be translated to Spanish by an official translator in Peru, include the work contract signed by the parties and approved by the administrative entity. As the foreigner will be abroad during the whole process, once the visa is approved the applicant will need to collect the visa in the Peruvian Consulate previously elected considering where he/she is located. With the visa stamped in the passport the entrance to Peru can be programmed, and once in country some extra steps should be coordinated until the obtainment of the foreign card (in case apply for a visa of 1 year). This process usually takes 30 business days counted since the application is filed to Migration.

b. Apply once the expatriate is in Peru - Change of migratory status - In country:
   Imply that the assignee is already in Peru. Note that in Peru expatriates can start performing activities once they have the visa approved. In this context, we recommend the entrance with a business visa, in order to avoid risk in case of a visit of an inspector. In case of permanence in country as tourist, a special permit to sign contracts will be needed in order to sign the work contract that will be approved by the Labor Ministry.

The documents for the process will be obtained in Lima. Once the visa is approved, we will register the assignee as a resident to coordinate the collections of the foreign card or if is temporal, the stamp of the visa in the assignee’s passport. This process usually takes 60 business days counted since the application is filed to Migration. For these process in case the foreigner needs to travel abroad while the process is under evaluation, each time, a special permit to travel will be needed.
2. ASSIGNMENT WORK VISA:

Allow assignees employed by a foreign company to perform highly specialized technical assistance in Peru. For this kind of visa, a service agreement must be signed between the foreign and the local company (receptor) specifying the technical assistance required from the Company, among other documents for each assignee (assignment letter, local letter, authorization letter). This visa can be temporal (less than 1 year) or resident (1 year or more).

The activities that can be performed with a “assignment work visa” are for a specific work or activities that require professional, commercial or technical knowledge. The entity that will receive the service will be the local company, since there will be an agreement between Companies (foreign and local) that support it. The foreign company will give a service to the local one and will send employees to perform it. There will not be any labor relationship between the expatriates and the local entity.

Obtaining procedure:

a. Apply while the expatriate is abroad - Consular collection:
Imply to have all the documents in Peru by the time of application and the documents will need to have all the legalizations needed such as consular legalizations/apostille to be recognized in Peru and be translated to Spanish by an official translator in Peru. As the foreigner will be abroad during the whole process, once the visa is approved the applicant will need to collect the visa in a designated Peruvian Consulate considering where he/she is located. With the visa stamped in the passport the entrance to Peru can be programmed, and once in country some extra steps should be coordinated until the obtaining of the foreign card (in case apply for a visa of 1 year). This process usually takes 30 business days counted since the application is filed to Migration.

b. Apply once the expatriate is in Peru - Change of migratory status - In country:
Imply that the assignee is already in Peru. Note that in Peru expatriates can start performing activities once they have the visa approved. In this context, we recommend the entrance with a business visa, in order to avoid risk in case of a visit of an inspector. The documents for the process will be obtained in Lima, without regard the ones we may need from abroad.

Once the visa is approved, we will register the assignee as a resident to coordinate the collections of the foreign card or if is temporal, the stamp of the visa in the assignee's passport. This process usually takes 60 business days counted since the application is filed to Migration. For these process in case the foreigner needs to travel abroad while the process is under evaluation, each time, a special permit to travel will be needed.
3. BUSINESS VISA:

The business visa allows the holder to carry out business, legal, contractual, specialized technical assistance (short periods) or other similar activities.

**Obtaining procedure:**

It is granted at the Peruvian Consulate for a maximum of 183 calendar days. Some exemptions allow to request the business visa at the Airport in Peru. i.e.: Schengen community countries (only grant 90 calendar days of permanence in 180 days) Pacific alliance (grant 183 days). Chinese nationals are also exempted of requesting a business visa at a Peruvian Consulate for a maximum of 183 calendar days if they are able to support one of the following conditions:

- Hold a valid visa of minimum 6 months of the United States of America, Canada or UK, Australia or a State of the Schengen Community.

- Hold a valid permanence residence of the United States of America, Canada or UK, Australia or a State of the Schengen Community.

---

**7 INDIVIDUAL AND LABOR TAXES**

1. **INCOME TAX**

   **a. Tax residence status:**

   The income tax treatment depends on whether an individual is considered resident or nonresident for tax purposes. According to the Income Tax Law, individuals are considered as tax residents in Peru when they have spent in the country over one hundred and eighty-three (183) calendar days during any 12-month period. This change will only become effective as of January 1 of the following year in which the requirement was met.

   Foreign individuals remain as tax nonresidents in Peru, until they meet the permanence requirement detailed above.
b. Labor and personal taxes:

According to the Peruvian Income Tax Law, the compensation received for services rendered within Peruvian territory will be considered as Peruvian Source Income regardless of the location of the entity or individual that is paying the income. Hence, the salary received by the employees or the expatriates for services rendered in Peru, will be taxable basis for Peruvian Income Tax.

It must be noted that the employers will be liable to withhold and remit to the Tax Authorities the employee's income tax. For such purpose, it must determine the employee's income tax debt and withhold the appropriate amount on a monthly basis, and pay the income tax to the Tax Authorities, based on the tax resident condition of the individuals and procedure established by law.

In case the employee is considered as nonresident for tax purposes, a fixed tax rate of 30% will be applicable over the salary received for his work in Peru, as of the first day of service, regardless of where it is paid.

In the case of tax residents, its applicable a bracketed accumulative income tax rate:

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Until the first S/30,100</td>
<td>0%</td>
</tr>
<tr>
<td>For the first S/21,500</td>
<td>8%</td>
</tr>
<tr>
<td>From S/21,500 to S/86,000</td>
<td>14%</td>
</tr>
<tr>
<td>From S/86,000 to S/150,500</td>
<td>17%</td>
</tr>
<tr>
<td>From S/150,500 to S/193,500</td>
<td>20%</td>
</tr>
<tr>
<td>Excess of more than S/193,500</td>
<td>30%</td>
</tr>
</tbody>
</table>

Note that the tax unit in force during fiscal year 2020 is S/4,300.

Further to the 7 tax units deduction to be applied on the residents gross income, an additional 3 tax units can be deducted from the calculation basis, subject to specific limits and requirements, for expenses incurred due to lease/sublease contracts, expenses in hotels, restaurants and bars, professional fees for doctors and dentists, payments for services rendered that qualify as self-employed retribution (fourth category income) for specific professionals and payments made to EsSalud (Social health system in Peru) in favor of domestic workers, if reported through an Annual Income Tax Return.

It is important to mention that all the expenses mentioned above must be paid through payment methods approved by Tax Administration through the financial system in bank transfers, credit and/or debit cards payments (not cash).
c. Tax exemptions:

In the case of tax nonresident individuals entering the country temporarily to perform the following activities, they would not be taxed for revenues obtained in their home country, since they are not considered as Peruvian source income:

- Acts that precede a foreign investment or any other business.
- Supervision or control of an investment or business (i.e. gathering data or information, meeting public or private sector personnel, etc.)
- Hiring local personnel.
- Signing agreements or similar documents.

Additionally, are not subject of taxation in Peru:

- The amounts paid to a tax nonresident employee, wife/husband and children for the following concepts:
  - Flight tickets for the beginning and end of the work contract.
  - Housing and Food Allowances paid during the first three months of residence in Peru.
  - Shipment of household goods to the country, at the beginning of the contract.
  - Flight tickets to the Employee home country due to vacations, during the term of the work contract.
  - Shipment of household goods to the Employee home country, at the end of the contract.

All the above-mentioned expenses must be included in the work contract approved by the Peruvian Labor Authority that the employer will assume such cost.

- The amounts that users of technical assistance pay to tax nonresident individuals hired to provide services in Peru, for flight tickets inside and outside the country, as well as housing and food allowances in Peru.
- Expenses and contributions related to health benefits made in general character to all employees.
- Retributions assigned to the owners of one-person businesses that are considered as third category income - Income related to any business activity.

d. Tax treaties:

If foreigners come from countries that have agreements with Peru in order to avoid double taxation (Chile, Canada, Brazil, Mexico, South Korea, Switzerland and Portugal) or countries from the Andean Community (Ecuador, Colombia, and Bolivia) other tax regulations may apply.

Finally, notice that tax resident individuals will be liable to file a tax return, provided they receive income other than employment income and the law establishes such obligation (i.e. a domiciled individual who receives remuneration and interest from a bank account abroad). Hence, there is no obligation to file a tax return if tax resident individuals receive only employment income.
2. SOCIAL SECURITY CONTRIBUTIONS

a. Pension Systems and contributions:
The employee can alternatively join the Government Pension System (GPS) or the Private Pension System (PPS). In the GPS, the employee must make contributions equal to 13% of his remuneration. In the PPS, the employee must make contributions equal to an average of 12.93% of his monthly remuneration paid in cash only. Regardless of the system chosen by the employee (GPS or PPS), the employer is responsible to withhold employees' contributions from their salaries.

b. Health Contribution:
This contribution is paid by the employer and its purpose is to finance the social health system (named EsSalud, in Peru), which provides health care services and pay subsidies in case of employees' disability. It is collected by the Peruvian Tax Administration (SUNAT). The amount is equal to 9% of the employees' remuneration.

If the company provides health coverage to its employees using its own resources or through an EPS (in Spanish, the acronym means Entidad Prestadora de Salud) it can request a credit of up to 25% of the Health Care contribution, subject to certain limits established by law.

c. Mandatory Life Insurance:
This is a mandatory insurance paid for employees. The premium depends on the number of insured employees, the risk of the work they carry out, and in general, on the terms agreed with the insurance company.

d. High Risk Labor Insurance (SCTR):
This is a mandatory insurance to be paid by companies whose activities have a certain level of risk such as, fishing construction, air transport, manufacturing, among others described in Appendix 5 of Supreme Decree No. 009-97-SA and provides additional coverage for health and pension plans. The contract for health services may be entered with EsSalud or with a Private Health Care Provider (EPS); a contract for the pension coverage can be entered with the Government Agency for Pension Fund (ONP, due to its acronym in Spanish) or with a private insurance company. The rates depend on the type of activity and/or the terms agreed on with the insurance entity.

e. Other contributions:
Additional contributions are applicable based on the company's activities, such as the Complementary Retirement Fund, which applies for mining, metal and steel companies; among other contributions.
CUSTOMS TAXES

1. IMPORT OF GOODS

Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%. Likewise, the Value Added Tax (VAT) of 18% is applied to imported goods.

Additionally, and depending on the type of goods, imports may be taxed with the Excise Tax or Luxury Tax (ISC), Antidumping Duties, Countervailing Duties, or others.

The usual customs taxes and duties applied are summarized as follows:

<table>
<thead>
<tr>
<th>Tax</th>
<th>Rate</th>
<th>Taxable Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs Duties&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>0%, 6% y 11%&lt;sup&gt;2&lt;/sup&gt;</td>
<td>CIF value (WTO Customs Value)</td>
</tr>
<tr>
<td>Value Added Tax (VAT) &lt;sup&gt;(b) (c)&lt;/sup&gt;</td>
<td>18%</td>
<td>CIF Value + Customs Duties + Excise Tax (if applicable)</td>
</tr>
</tbody>
</table>

(a) Customs Duties rates depend on the type of goods being imported. Capital goods (fixed assets) are generally subject to a 0% rate.
(b) Value Added Tax (VAT) can be used as tax credit by the importer.
(c) Certain goods are additionally subject to the Excise Tax or Luxury Tax (ISC).

Some imported goods can also be charged with anti-dumping measures or countervailing duties. The first ones are applied to some imported goods when the price discrimination could harm or threaten to harm a branch of national production, as a result of the investigations of the authorities. Countervailing duties are applied to imported goods that are subsidized in their country of origin and can harm or threaten to harm national production via the importation thereof, after the authorities perform the proper investigations.

World Trade Organization (WTO) rules are applicable to determine the customs value of imported goods. One of the rules indicates that, when a buyer imports a manufactured good and the purchase prices does not already include the value of any engineering, development, artwork, design work, plans or sketches; then it must be added to the customs value for import tax base of said manufactured good.

Since the amount of certain services provided, regarding an EPC (Engineering, Procurement and Construction) or EPCM (Engineering, Procurement, Construction and Management) Contract, would be part of the customs value of related imported goods; a certain legal procedure must be followed in order to avoid double taxation on VAT (1 - import VAT and 2 - local VAT charged for the services used within the Peruvian territory, rendered by a non-resident).

---

<sup>1</sup> An ad valorem rate of 4% is charged in the case of Express Shipment (goods with an FOB value of US$200 or more, up to a maximum amount of US$2,000 per shipment).
<sup>2</sup> For Express Shipments, an ad valorem rate of 4% is charged.
The importation of goods is subject to the Prepaid VAT System, wherein the tax is determined by applying a percentage to the CIF customs value plus all taxes levied on the import and other surcharges, where applicable. The applicable tax rates are 3.5%, 5%, or 10%, depending on the situation of the importer and/or the goods to be cleared through customs. Like VAT, the amount paid may be used by the importer as a tax credit. However, there are certain cases in which the prepaid VAT does not need to be paid; for example, when the import is performed by VAT withholding agents, or in the case of certain goods excluded from this system. Additionally, there are some sensitive products that need further analysis.

When importing goods worth more than US$2,000, the services of a customs agent/broker authorized by Peruvian Customs will be necessary, to undertake the documentary and electronic procedures for the imports. It is worth noting that the importer will be required to have the necessary documents that support the entry of goods, such as the commercial invoice, shipping documents, etc.

In addition to the formalities of customs clearance procedures, there are local regulations that establish additional requirements for the entry of goods that are considered restricted, and the conditions to consider goods prohibited so their entry to Peruvian territory is not possible. Further details are provided herein below.

2. EXPORT OF GOODS

The exportation of goods is not subject to the payment of Value Added Tax (VAT).

The Value Added Tax Law defines the export of goods as the sale of real property performed by a taxpayer domiciled in the country to a non-domiciled party, regardless of whether the transfer occurs abroad or in Peru, provided that said goods are subject to a customs process for definitive export.

If the transfer of ownership of the goods occurs in the country prior to loading, the classification as export of goods is conditional upon the goods being shipped within a term of no more than 60 calendar days after the date of issue of the respective commercial invoice.

When the sale involves documents issued by a bonded warehouse that guarantee the purchaser's right to dispose of said goods, the classification shall be conditional upon the shipment being performed within a term of no more than 240 calendar days after the date on which the warehouse issues the document.

If the established terms expire without the goods having been shipped, it shall be understood that the operation has been performed in national territory, and shall be levied with or exempted from VAT, as applicable.
FREE TRADE AGREEMENTS AND OTHER COMMERCIAL AGREEMENTS

The main agreements in force, executed by the Peruvian government in order to gain access to international markets are the following:

- **Andean Community (CAN):**
  Peru, together with other South American countries (Bolivia, Colombia and Ecuador) is a member of the Andean Community (CAN) since 1997. Within this framework, there are agreements related to zero customs duties rate for goods, customs value determination rules, regulations for land, air and water transport, etc. An important part of Peruvian trade regulations is governed by the commitments made under this forum.

- **Southern Common Market (Mercosur):**
  Economic Complementation Agreement 58 (ACE 58) was signed between Peru and the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) on December 30, 2005 and became effective on January 2006. The purpose of this Agreement was to establish a legal framework for integration, to facilitate business trade between member countries, through the elimination of tariff and non-tariff measures affecting trade in certain goods and services.

- **Pacific Alliance:**
  The Pacific Alliance is a trade block consisting of four Latin American countries: Chile, Colombia, Mexico and Peru. This proposal was unveiled in Peru, on April 28, 2011, through the Declaration of Lima and the Frame Agreement and Commercial Protocol entered into force on July 20th, 2015 and May 1st, 2016, respectively. The aim of this partnership is to encourage regional integration and further growth, development, and competitiveness of its member countries' economies, and to progressively move closer to the goal of achieving the free movement of goods, services, capital, and people.

- **Bilateral Free Trade Agreements:**
  Bilateral Free Trade Agreements with the United States, Australia, Canada, China, Chile, EFTA States (Iceland, Liechtenstein, Norway and Switzerland), Mexico, Japan, Singapore, Republic of Korea, Panama, European Union, Costa Rica and Honduras are already in force. Additionally, Peru has in force Economic and Trade Agreements with Cuba, Thailand and Venezuela. These agreements grant the parties, between others, customs duty preferential rates on originating imports.

On May 2019, Peru along with Colombia and Ecuador; have signed a Trade Agreement with the United Kingdom of Great Britain and Northern Ireland. In the meanwhile, Peru and the UK, have made temporary arrangements to continue preferential trade benefits that applied when UK was part of the European Union, until the UK-Andean Trade Agreement comes into effect (until December 31th, 2020).
Also, Peru has concluded Free Trade Agreement negotiations with Brazil and Guatemala; as well as the Comprehensive and Progressive Agreement for Transpacific Partnership (CPTPP) with Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Nueva Zealand, Singapore and Vietnam, which incorporates the provisions of the TTP.

Furthermore, up to date Peru maintains negotiations with Turkey, El Salvador and India in order to subscribe bilateral Free Trade Agreements.

Finally, it is important to mention that Peru is a founding member of the World Trade Organization (WTO). Therefore, the WTO's regulations regarding antidumping practices, subsidies, countervailing duties and service market liberalization, among others, are applicable in Peru.

Some goods that are imported into the country may be considered by legal mandate to be restricted or prohibited, for reasons of national security or public health, among other reasons.

Restricted goods are those that require special authorizations, licenses, permits, etc., from the pertinent institutions, depending on the goods to be imported. These goods must have the required documentation at the time of importation, prior compliance with the requirements established by the control units of the competent sector.

Some of the entities and types of restricted goods are as follows:

- National Superintendence of Tax Administration (SUNAT) through the National Intendance of Chemical Supplies and Supervised Goods for controlled chemical inputs.

- Ministry of Health, through the Medicines, Supplies and Drug Administration (DIGEMID), with respect to medicines and medical devices; and through the General Bureau of Environmental Health (DIGESA) with regard to food and beverages, etc.

- Ministry of Energy and Mines (MINEM) in the case of goods (products, machinery and equipment) that use radioactive sources.
- Ministry of Internal Affairs, through the National Superintendence for the Control of Security Services, Arms, Ammunition, and Explosives for Civil Use (SUCAMEC) for goods such as firearms, explosives, etc.

- Ministry of Agriculture, through the National Agricultural Sanitation Service (SENASA) as the institution in charge of protecting agricultural and animal health, etc.

- Ministry of Transportation and Communications for radio-electric transmitters in general and/or communications equipment/devices.

- Ministry of Foreign Affairs for texts and/or publications that include geographical-cartographical and historical material.

Furthermore, the prohibited goods are not allowed to enter or leave the country. Certain goods are considered restricted or prohibited for export as well.
4 TEMPORARY ADMISSION FOR RE-EXPORTATION IN THE SAME STATE

This customs regime allows for the temporary entry of certain goods into the national territory, with the suspension of customs duties and other taxes levied on the importation thereof (for a maximum period of 18 months) duly guaranteed, destined for a specific purpose in a specific place and which will be re-exported within the established term without having undergone any modification whatsoever, with the exception of the depreciation as a consequence of normal wear and tear.

5 BONDED WAREHOUSES

This system allows for goods entering national territory to be stored in a bonded warehouse for such purpose, for a given period (maximum term of 12 months) under the control of the customs administration, without paying customs duties and other taxes applicable to import for consumption, provided that the goods were not requested for a prior specific customs regime and they are not in a situation of legal abandonment.
OVERVIEW

Environmental protection has gained special importance during the past few years, and this has been reflected on the evolution of global and local legal frameworks.

During the 90s the Peruvian legal framework was feeble, there wasn't real supervision and only a few experts on the area. However, during the past two decades governments have gained awareness on the necessity of having strong regulations related to environmental matters, and this has been reflected on the changes and improvements on the legal framework as well as direct actions. Nevertheless, these improvements imply the necessity to comply to strict obligations that cannot be overseen or dismissed, not only because of the possible monetary consequences, but also in order to protect the environment and natural resources.

Social conflicts have also played an important role through the years delaying projects or risking them, which has been reflected on evolution of the related regulation as well as the active participation of local stakeholders.

LEGAL FRAMEWORK

Peru has a large and diverse set of environmental regulations that must be complied. These obligations are distributed according to its distinct specialties and observed by the pertinent authorities. Regarding environmental matters the regulation can be divided in two groups, the first one consisting of general obligations that are bound to be complied by every actor, and a second group that enclose specific obligations related to the individual activities enlisted on the project, contractual compromises, environmental effects and its location.

The General Environmental Act, Law No. 28611, provides the main framework as well as general obligations that are prone to be complied by project executers regarding environmental protection.

Alongside the obligations there is a set of regulators in charge of authorizing projects according and supervising them according to its type.

Peru's Environmental Licensing Agency - SENACE, was created on 2012 by the Law No. 29968 as a specialized and independent agency that conducts the environmental impact assessments of the largest investment projects in Peru. Currently, most of the most relevant projects have to request the SENACE the approval of their correspondent environmental impact assessments, however it isn't the only current regulator on this matter. Depending on the size of the project, it can also be under the examination of the correspondent ministry. During the past years the government has been making efforts to unify its regulators
according to categories. This unification isn't an easy task and has to be done progressively, especially because of the setbacks that can be found along the way. Even though the most important projects are under the surveillance of the SENACE, it is always important to verify the main regulator.

Additionally, when a project involves different aspects as water use or disposal, energy generation, restricted products, transport, among others, there are different authorities involved that authorize and regulate each specific aspect.

Besides the regulators, there are also a series of inspectors and authorities that verify the compliance of the different obligations. The Environmental Evaluation and Oversight Agency – OEFA, monitors environmental compliance, waste management, environmental complains, as well as solid waste infrastructure and environmental consulting services among others. The OEFA can carry out audits at any moment, start an administrative process, impose fines, having even the authority to suspend projects.

The OEFA is also qualified to receive any kind of environmental complain by any person, even if it is not the direct inspector, having the obligation to refer it to the competent authority and can even follow up the complaints to verify that is being attended.

Local governments are also involved on the regulation and surveillance of specific matters on their influence areas. Besides emitting the necessary licenses to operate, they can also approve special environmental certifications or close down projects in case they identify a breach. The government is strengthening the power and resources of environmental prosecution offices in order to guard environmental rights and enforce the use of criminal law when necessary in case of grave damage to the environment. These government agencies work individually however they collaborate with each other when a non-compliance is identified.

A breach or noncompliance of any environmental obligation can lead to a direct consequence as the temporary closure of the project or the start of an administrative process.

Compliance is highly important in order to protect the environment and guarantee the continue of labors.

The most common breaches are related to the noncompliance of Environmental Management Instruments, lack of environmental monitoring, deficient waste management, excesses in water permissible limits, among others.

If an inspection concludes that there is evidence or indication of noncompliance, then an administrative process is started. This process is managed by the authority in charge, having established guidelines, instances and opportunities for the project holders to present disclaimers and execute its legitimate defense.

The usual consequences include high monetary fines, suspension or closure of the project, obligation to improve or change specific parts of the project. On some cases, if there is evident environmental damage, a criminal process can be also started.

Local stakeholders also play an important role since the Peruvian legislation establishes that they can participate of the previous consultations when required. If the communities surrounding the project believe they can be affected, there is a setback on negotiations or the commitments are not fulfilled, social conflicts develop consequently, which can delay the projects.
When managed correctly, projects are also subject to incentives and recognitions by the government. The National Environmental Prize recognize those who contribute with environmental protection through specific projects, correct waste management, recovery of natural areas, among others. The OEFA also has different incentives like the Annual Ranking of Environmental Excellence - REAL; Green Leaf, also known as Qumir Rapi, Green Life or Qumir Kawsat; and, a Fine Discount Certificate. To be eligible to any of these recognitions, projects must be under the Good Practice Registry and aid a sustainable practice in operation.

a. Environmental management instruments

The National Environmental Impact Assessment System - SEIA, was created as a unique and coordinated system to identify, prevent, supervise and correct any possible negative environmental impact, including national politics and plans by the Act No. 27446, its regulation was approved by the Supreme Decree No. 019-2009-MINAM. The SEIA establishes the projects that are required to have an Environmental Impact Study, it also regulates the categorization of said studies according to their impact. Those who want to start a project of any kind are subdued to follow the established procedures to obtain the corresponding Environmental Certification through SENACE or the competent ministry. In the event a project is not listed, the holder can consult the Ministry of Environment to verify the enforceability of counting with one. In case an Environmental Certification is not required, the project might still need to present an Environmental Management Report, depending on the Ministry in charge of the project.

The Ministerial Resolution No. 157-2011-MINAM, and modifications, list the projects that are subdued to the SEIA regulation, including projects related to agriculture, tourism investment, electric generation, malls, road infrastructure, telecommunication infrastructure, health establishments, waste management infrastructure, multifamily housing, parking buildings, water and sanitation projects, among others.

These instruments must be followed and updated when necessary. The obligations part of environmental certificates ranges from having to monitor environmental factors periodically, count with waste management plans, make proper use of water and its disposal, fulfill hydrocarbons obligations if necessary, prevent soil contamination, to mention a few.

The Environmental Impact Study - EIS, determinates the obligations of each project based on its type, location, impacts, duration and size which are done by registered Environmental Consulting Firms.

The first step to determine the obligations of a project is to classify it according to the established categories. Secondly, it is necessary to fulfill the Public Participation Plan with the stakeholders on its influence area. Following the initial approvals, project holders have to establish a baseline, a process usually accompanied by the regulator. The Environmental Impact Study is evaluated and approved accordingly if it is determined that it considers all the necessary aspects relevant for the environmental protection. In some cases, the regulator might present observations that
would have to be absolved by the project holder. Once an EIS is approved it can also be modified or updated depending on the requirements of the project, this process is also regulated, and holders must comply with the established obligations at the appropriate time or would be susceptible to an administrative process and fines.

b. Water resources and effluents

The Water Resources Law, Act No. 29338, and its regulation approved by Supreme Decree No. 001-2010-AG, provide the legal framework related to water use and effluents disposal.

Particularly, Peru has a specialized authority that regulates water use and emits the necessary permits for the different projects. The National Water Authority - ANA, is the office in charge of approving water supply studies and its works, it also emits water use authorizations and disposal. Water sources in Peru are divided in superficial and groundwater, and can be extracted from rivers, lakes, wells or the ocean.

Peru has a diverse list of water sources, which have to controlled and protected to avoid contamination and secure this duration. The ANA, which is subscribed to the Ministry of Agriculture and Irrigation, is accompanied by the Local Water Administrators and the Administrative Water Authority, that support its work locally, managing to have more presence and carry out more supervisions.

The main permits needed by projects to operate include the Water Use License, Water Use Permits, Water Use Authorization and the Residual Water Reuse Authorization. Each permit allows project holders to make use of water resources on specific circumstances and have to be requested following the established procedures.

Water licenses or permits determinate not only the sources from which the water is extracted, but also the volume of water that can be used, the retribution that must be paid and the control instruments.

Water can be used in different ways needing specific permits accordingly. Additionally, if it is going to be used for human consumption, it also needs authorization from the Directorate of environmental Health - DIGESA.

Once water is disposed it also needs to fulfill previous obligations in order to guarantee that the effluents won't cause danger to the environment. Some of these obligations can include treatment plants or grease traps. Water disposal can be done through the sanitary sewer network, managed by a Service Provider Company - SPC, or returned directly to the nature through a water source. In both cases the effluents must comply with the maximum acceptable values or maximum permissible limits, accordingly. In case it is determined that effluents are considered contaminant the supervisor can impose a fine, in the case of water disposed through the sanitary sewer the SPC charges an extra fee based on the noncompliance norm. If the water is disposed to a natural source the OEFA is the one in charge of its inspection and fine.
ENVIRONMENTAL ASPECTS

132

Waste can be divided following different aspects. A first division is done by considering if it is or not municipal waste. Municipal waste is managed by local governments and usually consist of domiciliary waste or similar. Non municipal waste is handled by service operators. A third category can also be considered which includes demolition waste and has a particular treatment, regulated by the Supreme Decree No. 003-2013-VIVIENDA.

In general projects handle waste as non-municipal through a specialized operator, these service providers must have the correspondent authorizations to operate according to their specific activities. This type of waste is also subdivided in different categories and managed accordingly. Waste can be usable, non-usable or hazardous and each category has a different treatment. Non usable waste has to be completely discarded and receive the necessary final treatment. Hazardous waste has a special treatment and has to be managed separately so it doesn't contaminate other waste, it usually consists of batteries, medicine, chemical substances, lights, oil contaminated paper and similar. Usable waste is encouraged to be recycled, reused or reduced.

Project holders are bound to follow the solid waste management law, that includes the obligation to present waste management manifestos for hazardous waste and declarations, manage waste according to its category through a specialized operator, have proper waste storage locations, minimize waste, have sanitation systems, identify waste properly, among others.

c. Other Permits and Authorizations

Besides environmental certificates and water authorizations, projects are also subdued to another set of permits and obligations related to its location.

Local governments are the ones in charge of issuing building and operating licenses, carry out technical safety inspections, authorize the transit of certain vehicles, determine the use of the streets adjacent to the projects, in some cases they can even determine working hours depending on the zoning.

Besides emitting special permits, local governments also monitor noise contamination, sanitary obligations, waste management, air contamination as well as handling possible claims presented by local stakeholders.

Depending on the location of the project, other entities might be required to be involved depending on the project characteristics such as the National Service of State Protected Natural Areas - SERNARP, Forest and Wildlife Service - SERFOR, Coastguard Authority - DICAPI, the Supervisory Body of Private Investment in Energy and Mines - OSINERGMING, the National Superintendence of Tax Administration - SUNAT and the Presidency of the Cabinet - PCM.

d. Waste management

The Solid Waste Management Act, Legislative Decree No. 1278, and its accompanying regulation, approved by Supreme Decree No. 014-2017-MINAM, regulate how solid waste is managed, encouraging waste reduction, recovery, recycling and valorization, setting its goal on reaching an optimal circular economy production.
PRINCIPAL REGULATORY AND PROMOTION ENTITIES

1. CENTRAL RESERVE BANK OF PERU - BCRP (Banco Central de Reserva del Peru - BCRP)
Phone: +51 1 613 2000
www.bcrp.gob.pe

The Central Reserve Bank of Peru (BCRP) is an autonomous constitutional institution of the Peruvian State. According to the Constitution, the faculties of the BCRP are to regulate the currency and the credit in the financial system, manage international reserves under its care, and other functions indicated in the law that created the institution. Likewise, the Constitution orders the BCRP to issue coins and paper money and to accurately inform the country from time to time on the state of national finances. It also has the responsibility of maintaining monetary stability, avoiding the pressures of inflation and depreciation on the economy.

2. PRIME MINISTER'S OFFICE - PCM (Presidencia del Consejo de Ministros - PCM)
Phone: +51 1 219 7000
www.pcm.gob.pe

The Prime Minister's Office is the technical-administrative institution of the Executive Branch, whose maximum authority is the President of the Republic of Peru. It coordinates and follows up on multi-sector policies and programs of the Executive Branch. It also carries out coordinated actions with the Congress and different constitutional entities.

3. MINISTRY OF THE ECONOMY AND FINANCE - MEF (Ministerio de Economía y Finanzas - MEF)
Phone: +51 1 311 5930
www.mef.gob.pe

The Ministry of the Economy and Finance is an entity of the Executive Branch responsible for planning, directing, and controlling matters related to the budget, treasury, debt, accounting, fiscal policy, public spending, and economic and social policies. It also designs, establishes, performs, and supervises national and sector policies under its competence, assuming a guiding role therein.

4. MINISTRY OF LABOR AND JOB PROMOTION - MTPE (Ministerio de Trabajo y Promoción del Empleo - MTPE)
Phone: +51 1 630 6000
www.mintra.gob.pe

The Ministry of Labor and Job Promotion is the State institution responsible for designing, coordinating, and performing the policies and programs aimed at creating and improving dignified and productive work through the promotion of job market insertion opportunities and skills, as well as fostering a democratic system of labor relations through labor coordination, surveillance of compliance with laws, conflict prevention and resolution, and the improvement of working conditions.
5. NATIONAL INSTITUTE FOR THE DEFENSE OF FREE COMPETITION AND THE PROTECTION OF INTELLECTUAL PROPERTY - INDECOPI
(Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual - Indecopi)
Phone: +51 1 224 7777
www.indecopi.gob.pe

Indecopi promotes a culture of fair competition and protects all forms of intellectual property (trademarks, copyrights, patents, and biotechnology).

6. SUPERVISORY BOARD FOR INVESTMENT IN ENERGY AND MINING - OSINERGMIN
(Organismo Supervisor de la Inversión en Energía y Minería - Osinergmin)
Phone: +51 1 219 3400
   +51 1 219 3410
   +51 1 427 4935
www.osinerg.gob.pe

Osinergmin is responsible for supervising and controlling compliance with legal and technical provisions of activities developed by companies in the electricity and hydrocarbons subsectors, as well as compliance with legal and technical regulations related to the conservation and environmental protection. It is also in charge of quality and quantity control of fuels and higher prerogatives as part of its power to impose sanctions.

7. SUPERVISORY BOARD FOR PRIVATE INVESTMENT IN TELECOMMUNICATIONS - OSIPTEL
(Organismo Supervisor de Inversion Privada en Telecomunicaciones - Osiptel)
Phone: +51 1 225 1313
www.osiptel.gob.pe

Osiptel is in charge of regulating and supervising the public telecommunication services market, independently of the operating companies.

8. SUPERVISORY BOARD FOR INVESTMENT IN PUBLIC TRANSPORTATION INFRASTRUCTURE - OSITRAN
(Organismo Supervisor de la Inversion en Infraestructura de Transporte de Uso Público - Ositran)
Phone: +51 1 440 5115
www.ositran.gob.pe

The general purpose of Ositran is to regulate, govern, supervise, and audit the behavior of the markets under its competence, with regard to the actions of service providers, as well as the compliance with concession agreements, impartially and objectively holding harmless the interests of the State, investors, and users.
9. AGENCY FOR THE PROMOTION OF PRIVATE INVESTMENT - PROINVERSIÓN
(Agencia de Promoción de la Inversión Privada - ProInversión)
Phone: +51 1 200 1200
www.proinversion.gob.pe

ProInversión promotes private investment that does not depend on the Peruvian State, it is also in charge of agents under the private system in order to improve the country's competitiveness and sustainable development and thus improve the population's welfare.

10. NATIONAL SUPERINTENDENCE OF LABOR AUDITING - SUNAFIL
(Superintendencia Nacional de Fiscalización Laboral - Sunafil)
www.mintra.gob.pe

Sunafil is a specialized technical entity that forms part of the Ministry of Labor and Job Promotion, and is responsible for promoting, supervising, and auditing the compliance with labor laws and those related to occupational health and safety.

11. SUPERINTENDENCE OF BANKING AND INSURANCE (SBS) AND PRIVATE PENSION FUND MANAGEMENT COMPANIES (AFP)
(Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - AFP - SBS)
Phone: +51 1 630 9000
www.sbs.gob.pe

SBS - AFP is in charge of regulating and supervising the financial, insurance, and private pension fund systems. Its main objective is to protect the interests of depositors, the insured, and pension fund affiliates.

12. NATIONAL SUPERINTENDENCE OF PUBLIC RECORDS OFFICES - SUNARP
(Superintendencia Nacional de los Registros Públicos - Sunarp)
Phone: +51 1 208 3100
www.sunarp.gob.pe

The mission of the Sunarp is to provide legal security and certainty on ownership of different rights registered with it, backed by modernization, simplification, integration and the specialization of registration nationwide.

13. NATIONAL SUPERINTENDENCE OF SANITATION SERVICES - SUNASS
(Superintendencia Nacional de Servicios de Saneamiento - Sunass)
Phone: +51 1 614 3180
www.sunass.gob.pe

The Sunass is a decentralized public institution that rules, regulates, supervises and controls water and sewage services provided, impartially and objectively protecting the interests of the State, investors, and users.
14. STOCK EXCHANGE SUPERINTENDENCE - SMV
(Superintendencia del Mercado de Valores - SMV)
Phone: +51 1 610 6300
www.smv.gob.pe

The SMV is a specialized technical institution attached to the Ministry of Economy and Finance (MEF) designed to oversee the protection of investors, the efficiency and transparency of the markets under its supervision, the correct setting of prices, and the dissemination of all information necessary to achieve these goals. It has legal status to act in national administrative or constitutional law and has complete functional, administrative, economic, technical, and budgetary autonomy.

Social conflicts have also played an important role through the years delaying projects or risking them, which has been reflected on the evolution of the related regulation as well as the active participation of local stakeholders.

15. ENVIRONMENTAL ASSESSMENT AND FISCALIZATION AGENCY - OEFA
(Organismo de Evaluación y Fiscalización Ambiental - OEFA)
Phone: +51 1 204 9975
www.oefa.gob.pe

OEFA is the specialized public technical body, attached to the Ministry of the Environment, in charge of promoting compliance with environmental regulations in economic agents in order to protect the balance between investment in economic activities and environmental protection.

16. MINISTRY OF TRANSPORT AND COMMUNICATIONS - MTC
(Ministerio de Transportes y Comunicaciones - MTC)
Phone: +51 1 615 7800
www.mtc.gob.pe

The MTC is the entity of the Peruvian State that seeks to achieve a rational territorial ordering linked to the areas of resources, production, markets and population centers, through the regulation, promotion, execution and supervision of the transport and communications infrastructure.

17. MINISTRY OF ENERGY AND MINES - MINEM
(Ministerio de Energía y Minas - MINEM)
Phone: +51 1 411 1100
www.minem.gob.pe

The MINEM is the entity in charge of promoting the development and use of energy resources in a rational, efficient and competitive manner, in a context of decentralization and regional development, prioritizing private investment, the satisfaction of demand, as well as employment of renewable energies. Likewise, it promotes the development of the mining activity watching over legal stability and the rational exploitation and introduction of clean technologies.
ECONOMIC PROMOTION INSTITUTIONS

1. MINISTRY OF FOREIGN AFFAIRS - MRE: EXECUTIVE OFFICE FOR ECONOMIC PROMOTION (DPE)

The Executive Office for Economic Promotion (DPE) is the institution of the Ministry of Foreign Affairs (MRE) responsible for coordinating with Peruvian missions abroad in an effort to promote Peru as a country capable of providing goods and services in international markets, as well as positioning it as a world-renowned tourist destination, and a country with interesting business and investment opportunities in different economic sectors.

It should be noted that the DPE has a Quality Management System certified with ISO 9001:2008 International Standards, governed under the values of equality, social commitment, honesty, transparency, and teamwork, thus ensuring that the needs of its national and international users are met.

The DPE reaffirms its commitment to provide services with high standards of quality, excellence, and continuous improvement in the development of the certified processes, such as:

- Support for exporters, investments, and travel agents
- Support for trade, investment, and tourism missions
- Attention to requests
- Training
- Dissemination of opportunities
- Organization of events
- Resolution of trade problems and impasses
- Support for exporters, investors and travel agents

SERVICES OFFERED BY THE DPE

a. Trade Promotion Services - PCO (Servicios de Promoción del Comercio - PCO)

- Dissemination of business opportunities
- Dissemination of the export offer
- Support in the solution of trade problems between companies
- Identification of business opportunities
- Support to trade missions and their participation in fairs abroad
- Support to exporters in the resolution of trade impasses
- Organization of trade events
b. Investment Promotion Services – PIN (Servicios de Promoción de las Inversiones - PIN)
• Participation in the negotiation of Foreign Investment Promotion Agreements
• Dissemination of investment opportunities (federal, regional and municipal governments)
• Coordination of international events for investment promotion (road shows, videoconferences, fairs, and seminars)
• Preparation and coordination of an agenda for foreign business missions
• Dissemination of specialized information on foreign investment
• Support in the identification of investment possibilities and strategic alliances
• Dissemination of tenders and international bidding processes called by public and private Peruvian entities

c. Tourism Promotion Services – PTU (Servicios de Promoción del Turismo - PTU)
• Dissemination of tourism offer
• Support for culinary events
• Dissemination of tourism materials
• Support for tourism promotion fairs abroad
• Support for agendas involved in the promotion of tourism
• Promotion and negotiation of tourism agreements
• Dissemination of tourism information obtained by our missions

Contacts
• Eduardo Chávarri García
  Ambassador
  Executive Director of Economic Promotion (DPE)
  Phone: +51 1 204 3360
    +51 1 204 3361
  Fax: +51 1 204 3362
  Email: echavarri@rree.gob.pe

• Ana Cecilia Gervasi Díaz
  Minister
  Director of Investment Promotion (PIN)
  Bureau of Economic Promotion
  Phone: +51 1 204 3384
    +51 1 204 3385
  Email: agervasi@rree.gob.pe

• Adriana Velarde Rivas
  Minister Counselor
  Director of Commercial Promotion (PCO)
  Bureau of Economic Promotion
  Phone: +51 1 204 3369
  Email: avelarde@rree.gob.pe

• Luis Chang Boldrini
  Minister
  Director of Tourism Promotion (PTU)
  Bureau of Economic Promotion
  Phone: +51 1 3392
  Email: lchang@rree.gob.pe

- Address: Jr. Lampa 545, Piso 10 - Lima 1
- Phone: +51 1 204 3361
  +51 1 204 3365 (DPE)
  +51 1 204 3369 (PCO)
  +51 1 204 3385 (PIN)
  +51 1 204 3392 (PTU)
- Fax: +51 1 204 3362
- Email: dpe@rree.gob.pe
- Website: www.rree.gob.pe
2. MINISTRY OF FOREIGN TRADE AND TOURISM - MINCETUR AND PROMPERU

The Ministry of Foreign Trade and Tourism (MINCETUR) defines, directs, carries out, coordinates, and supervises foreign trade and tourism policies. In coordination with the Ministry of Foreign Affairs (MRE) and the Ministry of Economy and Finance (MEF) and the other Government sectors in their related areas, it is responsible for the promotion of exports and international trade negotiations. The Minister leads international trade negotiations on behalf of the State and may sign related agreements. Regarding tourism, the Ministry promotes, orients, and regulates tourism activities in order to encourage the sustainable development thereof, including the promotion, orientation, and regulations of handicrafts.

Contacts
- Rocío Ingred Barrios Alvarado
  Minister
  Address: Calle Uno Oeste 050 Urb. Corpac, San Isidro - Lima, Peru
  Phone: +51 1 513 6100
  Email: rbarrios@mincetur.gob.pe
  Website: www.mincetur.gob.pe

PROMPERU
PromPeru is the agency of the Ministry of Foreign Trade and Tourism (MINCETUR) in charge of developing strategies to produce an integrated and attractive image of Peru. This image will help develop domestic tourism and promote the country to the world as a privileged destination for inbound tourism and investment. It is also in charge of promoting Peruvian exports.

Objectives and guidelines
- Design, coordinate, arrange, and execute policies and actions with the objective of promoting Peru's image internationally, as well as promoting its exports
- Manage and channel international technical and financial cooperation to meet its objectives
- Participate in the strategic planning for the promotion of exports, as set forth in Congressional Executive Order 805
- Participate in the design, coordination and execution of a strategic plan to promote investment, in coordination with the competent entities
- Design, coordinate, and execute actions to promote inbound tourism to Peru and domestic tourism within Peru
- Manage and channel international financial and technical cooperation for the promotion of tourism in Peru

Contacts
- Luis Torres Paz
  Executive President
  Email: ltorres@promperu.gob.pe
  Address:
  - General Secretariat: Calle Uno Oeste 050, Mincetur Building, 13 -14th Floors, San Isidro - Lima, Peru
  - Exports and Tourism Office: Av. Jorge Basadre 610, San Isidro - Lima, Peru
  Phone: +51 1 616 7300
  +51 1 616 7400 (General Secretariat)
  +51 1 616 7300
  +51 1 616 7400 (Exports and Tourism Office)
  Email: webmaster@promperu.gob.pe
  Website: www.promperu.gob.pe
PERU BRAND
This project is led by the Commission for the Promotion of Peru for Exports and Tourism (PromPeru) with the support of the Ministry of Foreign Affairs (MRE) and ProInversión. The primary objective of the Peru brand is to endorse the country's image, building and protecting its international reputation. It thus seeks to become the seal that accompanies everything originating in Peru and which represents the country beyond its borders. It focuses on three main areas of promotion:

- **Tourism:**
  Centered on promoting Peru as a unique and comprehensive tourist destination that includes cuisine, archaeology, culture, etc.

- **Exports:**
  Backs Peruvian products to the world, based on the premise that Peruvian exports are singular, unique, and not mass-produced, but above all, they are of very high-quality.

- **Investment:**
  Promotes the country's positive business climate and encourages investment with the presentation of Peru as a land full of opportunities, with an enviable growth rate

3. AGENCY FOR THE PROMOTION OF PRIVATE INVESTMENT (PROINVERSIÓN)

ProInversión is a public entity attached to the Ministry of Economy and Finance (MEF) and is in charge of executing the national policy for promoting private investment. Its mission is to promote investment via agents in the private sector, in order to boost Peru's competitiveness and sustainable development and thus improve the wellbeing of the population.

ProInversión provides information to potential investors regarding the incorporation of a business in Peru, identifying investment opportunities by sectors, learning about the processes of public-private partnerships, among others. ProInversión offers its services for investments in Peru free of charge, in three stages:

a. **Pre-Incorporation**
   - General information service: macroeconomic data, legal framework, tax system, etc.
   - Specific information service, at the request of the potential investor
   - Preparation of agendas with: potential partners, suppliers, clients, authorities, associations, unions, etc.

b. **Incorporation**
   - Guidance on obtaining municipal permits and licenses for the establishment of an industrial or commercial business
   - Contact and accompaniment to the regions and potential production zones
   - Advisory on migratory processes for entry and residence of business people
c. Post-Incorporation
   • Establishment of a network of contacts with public and private companies
   • Guidance for the expansion of the business
   • Identification of administrative barriers

Contacts
   • Rafael Ugaz Vallenas
     Executive Director
     Address: Main Office (Lima): Av. Enrique Canaval Moreyra 150, 9th Floor, San Isidro - Lima, Peru
     Phone: +51 1 200 1200
     Fax: +51 1 221 2941
     Email: rugaz@proinversion.gob.pe
     Website: www.proinversion.gob.pe

   • Decentralized offices:
     - Arequipa: Pasaje Belen 113 - Vallecito, Arequipa
       Phone: +51 54 608 114
       Fax: +51 54 608 115
     - Piura: Los Palmitos Mz. Ñ Lote 13, Urb. Santa María del Pinar, Piura
       Phone: +51 73 309 148
       Fax: +51 73 310 081

4. ASSOCIATION FOR THE PROMOTION OF NATIONAL INFRASTRUCTURE – AFIN

AFIN is an association of Peruvian companies which has signed a Concession Agreement with the Government in order to build, operate and maintain public infrastructure projects, in sectors such as energy, transport, telecommunications, health, sanitation, among others. It also includes other kind of associates who are involved in infrastructure projects such as accounting firms (EY is an associate of AFIN), law firms, among others.

Objectives and Guidelines:
- Encourage the development of infrastructure, contributing to the economic growth and poverty reduction in the country
- AFIN submits legislative proposals agreed with its associates on issues affecting the development of infrastructure to the Congress and/or the Government, depending on the specific matter.

Contact
   • Leonie Roca Voto Bernales
     President
   • Juan Pacheco Romaní
     General Manager
     Address: Av. Jorge Basadre 310, Office 601 - D, San Isidro - Lima, Peru
     Phone: +51 1 441 1000
     Email: comunicaciones@afin.org.pe
     Website: www.afin.org.pe
5. PERUVIAN CHAMBER OF CONSTRUCTION - CAPECO

The Peruvian Chamber of Construction (CAPECO) is a business institution created in 1958 with the purpose of grouping and representing all those who work in the construction activity in the country. Its vision is to contribute to the national development and to improve the quality of life of Peruvians through responsible construction.

Contact
• Humberto Martínez
  President
  Address: Av. Victor Andrés Belaunde 147, Real 3 Building, Office 401, San Isidro, Lima - Peru
  Tel: +51 1 230 2700
  Website: www.capeco.org

6. LIMA CHAMBER OF COMMERCE - CCL

For the last 125 years, the Lima Chamber of Commerce (CCL) has represented and defended the interests of the business class before the country's authorities, as well as national and foreign entities. As part of its activities, it promotes free market policies and free competition with a sense of social responsibility, as well as fair and honest competition within a framework of values and ethical principles, fostering domestic and foreign trade and promoting good commercial practices.

The Lima Chamber of Commerce (CCL) is a strategic partner of the State, cooperating to ensure that the laws and other provisions foster national social and economic prosperity, taking the initiative in offering proposals and assuming responsibility in the activities entrusted to it by the State. It attempts to maintain close relations among all organizations representing business activities and cooperation for development, both Peruvian and international, especially supporting the decentralization of production. As a complementary activity, it conciliates interests and manages arbitration proceedings in an affordable and democratic manner between companies or business people, trying to ensure quick and friendly agreements.

The mission of the Lima Chamber of Commerce (CCL) is to promote the development of free enterprise, ensuring respect for the business community's legitimate rights and facilitating business opportunities, providing assistance and services, and incentivizing competitiveness. The vision of the Lima Chamber of Commerce (CCL) is to be the country's leading business association, respected by society and a reference point for the opinion of the business class.

The Lima Chamber of Commerce (CCL) groups together over 13,000 member companies, including the Chamber of Commerce, Production, and Services (Perucamaras) which, in turn, groups together the country's 63 chambers and associations.

Among its 15 sector departments, the Construction & Engineering plays a vital role in the infrastructure sector. It is the major representative in construction, buildings, engineering, suppliers and services related.

Contacts
• Yolanda Felicia Torriani Del Castillo
  President
  • José Rosas Bernedo
  General Manager
  • Luis Felipe Quirós Medrano
  Construction & Engineering President
  Address: Av. Giuseppe Garibaldi 396 Jesus Maria, Lima - Peru
  Phone: +51 1 463 3434
  Website: www.camaralima.org.pe
7. PERUVIAN FOREIGN TRADE ASSOCIATION - COMEXPERU

ComexPeru is the private association that groups the leading companies involved in foreign trade in Peru. Its main purpose is to contribute to the improvement of competitive conditions within a free market environment that will make Peru an attractive destination for private investment.

Objectives and Guidelines
- Promote the development of foreign trade
- Defend free market policies
- Encourage private investment

Contact
• Juan Fernando Correa Malachowski
  General Manager
  Phone: +51 1 625 7700
  Website: www.comexperu.org.pe

8. NATIONAL CONFEDERATION OF PRIVATE BUSINESS INSTITUTIONS - CONFIEP

The National Confederation of Private Business Institutions (CONFIEP) brings together and represents private business activities within Peru and abroad. Its principal objective is to contribute to the process of sustained economic growth, based on investment and job creation through individual effort and initiative, the promotion of entrepreneurship and private property.

Objectives and Guidelines
- Business unity: Strengthen the union between Peruvian business entrepreneurs to build an order in which free enterprise and a market economy are the distinguishing features
- Representation: Act as the principal spokesperson for entrepreneurs nationwide before the State, and in public and private forums
- Services: Promote greater communication and coordination between business sectors, and support, back, and provide advice to the business community

Contact
• María Isabel León de Céspedes
  President
  Address: Av. Victor Andrés Belaunde 147, Real Tres Building, Office 401, San Isidro, Lima - Peru
  Phone: +51 1 415 2555
  Fax: +51 1 415 2566
  Website: www.confiep.org.pe
9. ASSOCIATION OF CAPITAL MARKETS BUSINESS PROMOTERS - PROCAPITALES

The Association of Capital Markets Business Promoters (Procapitales) brings together the principal actors in the market, channeling their concerns and proposals. It acts as a business guild to focus fundamentally on promoting investment and capital markets. It speaks on behalf of its associates to the public sectors with proposals to reduce legal costs and bureaucratic barriers that hinder easy market access. The institution's principal objective is to encourage an efficient legal framework and appropriate corporate governance practices.

Objectives and Guidelines
- Promote the development of new investment instruments
- Encourage access by new issuers of fixed-income and equity securities
- Promote the mobilization of institutional investor resources through new intermediary vehicles
- Actively promote improvements in legislation and the regulation of the capital market
- Publicize and encourage the implementation of good corporate governance practices
- Create a permanent, proactive, and organized space for dialogue and interaction between agents in the market, including the regulatory and supervisory institutions
- Contribute to the institutional strengthening of agents participating in the capital market

Contact
- Miguel Eduardo Puga De La Rocha
  President
Address: Av. Canaval y Moreyra 230, Office 5A, San Isidro, Lima - Peru
Phone: +51 1 440 1080
Website: www.procapitales.org

10. inPERU

inPERU was established on January 11, 2012 as a non-profit corporation to promote investment towards Peru in the principal international financial markets, seeking an exchange of better practices and, in general, providing information on Peru as a destination of multiple investment opportunities. The incorporations of inPERU consist of the following private institutions: Lima Stock Exchange (BVL), Cavali, Private Pension Fund Management Association (AAFP), Banking Association of Peru (ASBANC), Procapitales, Peruvian Finance Association (APEF), National Confederation of Private Business Institutions (CONFIEP) and the Peruvian Association of Insurance Companies (APESEG).

It also has the support of the Peruvian State through the Ministry of Economy and Finance (MEF), the Ministry of Foreign Trade and Tourism (MINCETUR), the Ministry of Foreign Relations (MRE), the Central Reserve Bank of Peru (BCRP), the Superintendence of Banking, Insurance and Pension Fund Management Companies (SBS), the Superintendence of the Stock Market (SMV), ProInversión and PromPeru.
11. NATIONAL ASSOCIATION OF INDUSTRIES - SNI

The National Association of Industries (SNI) is the institution that groups together Peru's private industrial companies. It is a private-law, non-profit legal entity.

The members of the SNI currently include over 1,000 of the most representative companies of the country's industrial sector, accounting for 90% of the gross value of national production. It should be noted that 16% of Peru's Gross Domestic Product (GDP) is contributed by the industrial sector.

Contact
• Ricardo Márquez Flores
  President
  Address: Calle Los Laureles 365, San Isidro, Lima - Peru
  Phone: +51 1 616 4444
  Website: www.sni.org.pe

12. PERUVIAN ASSOCIATION OF EXPORTERS - ADEX

The Peruvian Association of Exporters (ADEX) is a business institution founded in 1973 to represent and provide services to its members: exporters, importers, and trade service providers. It is an association made up of large, medium, and small enterprises whose common denominator is their vision of achieving ambitious business objectives.

Contact
• Erik Fischer Llanos
  President
  Address: Av. Javier Prado Este 2875, San Borja, Lima - Peru
  Phone: +51 1 618 3333
  Website: www.adexperu.org.pe

13. NATIONAL SOCIETY OF MINING, OIL AND ENERGY - SNMPE (SOCIEDAD NACIONAL DE MINERÍA, PETRÓLEO Y ENERGÍA - SNMPE)

Contact
• Manuel Fumagalli Drago
  President
  Address: Calle Francisco Graña 671, Magdalena del Mar, Lima - Peru
  Phone: +51 1 215 9250
  Fax: +51 1 460 1616
  Email: postmaster@snmpe.org.pe
  Website: www.snmpe.org.pe
14. PERUVIAN ASSOCIATION OF PORT OPERATORS (ASOCIACIÓN PERUANA DE OPERADORES PORTUARIOS)

Contact
José Vicente Silva Vidaurre
President
Address: Av. Camino Real 479, Office 701 - A, Lima - Peru
Phone: +51 1 440 0143
Website: www.asppor.org.pe

15. REAL ESTATE DEVELOPERS ASSOCIATION - ADI PERU (ASOCIACIÓN DE DESARROLLADORES INMOBILIARIOS - ADI PERU)

Contact
Marco del Río Arrieta
President
Address: Av. Camino Real 348, Torre El Pilar, Office 703, San Isidro, Lima - Peru
Phone: +51 1 99 983 438
Email: info@adiperu.pe
Website: www.adiperu.pe

16. PERUVIAN AUTOMOTIVE ASSOCIATION - AAP (ASOCIACIÓN PERUANA AUTOMOTRIZ - AAP)

Contact
Armando Negri Piérola
President
Address: Av. República de Panamá 3956, Surquillo, Lima - Peru
Tel: +51 1 640 3637
Email: aap@aap.org.pe
Website: www.aap.org.pe

17. PERUVIAN BANKING ASSOCIATION - ASBANC (ASOCIACIÓN DE BANCOS DEL PERÚ - ASBANC)

Contact
Martín Naranjo Landerer
President
Address: Calle 41 No 975, Urb. Córpac, San Isidro, Lima - Peru
Phone: +51 1 612 3333
Fax: +51 1 612 3316
Website: www.asbanc.com.pe
EY has a global focus on infrastructure, with global professionals including engineers, project process specialists, economists, legal and regulatory experts in more than 140 countries. Our global team is closely networked and share industry and technical knowledge to provide our clients with a seamless global service.

Some of our specialist infrastructure-based services include:

**PROJECT FINANCE ADVISORY**

Advising on the development, optimization and implementation of finance plans covering the full range of project financing options for infrastructure projects; non and limited recourse debt and tax effective leasing structures as well as assistance in seeking local equity investors.

**INFRASTRUCTURE LEAD ADVISORY**

Advising sell-side or buy-side clients in privatizations, concessions and PPP deals. Our teams have the capabilities to assist on the preparation of tender offers and Unsolicited Proposals, analysis of project risks and mitigation mechanisms, review of tender documents and contracts and legal, financial and taxation advice in dispute resolution. Fundraising for projects if our client is awarded the transaction is also part of our comprehensive offering of services.
Mergers and acquisitions, at either the holding company or asset level, require specific knowledge and skills in order to complete transactions. The knowledge and skills required relate to the regulatory environment, including the rules and regulations of each country's stock exchange, accounting, legal, structuring and taxation disciplines in addition to an understanding of transaction value-drivers.

Our global transaction capability covers over 80 countries and comprises over 5,000 professionals. These transaction professionals work across many elements of the transaction life cycle in the deal critical areas of financial due diligence, commercial due diligence, tax due diligence, legal due diligence and structuring and transaction integration.

Providing a range of services to companies in the infrastructure sector including valuations for purchase price allocation/acquisition accounting, tax planning, finance and capital markets purposes and has specialists with extensive skills ranging from valuations of businesses and intangible assets to specialized industry knowledge.

Further VME has deep expertise in reviewing models for financing purposes and is also able to construct or review cash flow models as part of an acquisition strategy.

The provision of tax advisory services involves our support in the different stages of the project (PPP, Oxl, G2G, among many others): preliminary studies; bidding process; kick off and initial stage; and ongoing assistance during its execution. Our tax assistance includes tax burden determination in financial models; tax planning to structure the investment within the country, legal vehicles to be chosen, related parties transactions, reorganization processes, exit strategy; etc.; tax advisory, focus mainly in the agreement signed with the Government or with foreign and local strategic suppliers, tax stability agreements, early recovery of VAT, among many other fields.
VAT EARLY RECOVERY

Advising on the evaluation of the requirements and preparation of the application to qualify as beneficiary of the VAT Early Recovery System; on the preparation of the investment schedule and the list of goods and services related to the project considering the required codes; follow up of the applications before the authorities in charge; on the formulation of amendments to the investment commitment; strategy and preparation of recovery requests; review of the VAT previous to file the application and support during the verification and controls from the sectoral authorities and the Tax Administration, among other services.

LEGAL SERVICES

We provide a full range of legal advice to international and domestic investors, banks, multilateral organizations and governmental entities on public and private infrastructure and construction projects, including PPP, G2G, public procurement process and Work for Taxes. We advise our clients during the entire project life, including its inception and legal structuring, the bidding process, the drafting and negotiation of the legal agreements required for the project (such as Concession Contracts), the financing of the projects, management of claims, regulatory advice once the project is operating and the settlement of claims. Our expertise covers several and diverse sector such as transportation (ports, airports, toll roads, urban highways), social infrastructure (health, education, prisons), energy, oil and gas, water and sewage, real state, among others.

CUSTOMS

Advising on the optimization of customs regimes; planning and advice on customs valuation in the importation of goods; implementation and use of free trade agreements; advice and analysis of customs tax impact of international trade of goods; advice on risk prevention and customs compliance; evaluation and design of business structures from a customs perspective, support in customs audits and customs litigation, among other services.

For more information about our services visit our website www.ey.com/pe
While the social and economic impacts of the COVID-19 pandemic continue to play out on the global stage, questions remain over how investors will direct capital to support the economic recovery. Accordingly, investors are increasingly using nonfinancial factors in their assessment of a company's performance, as they look to build insight into longterm value.

To improve resilience planning, cities must evaluate the community-based networks already in place and how they can be strengthened.

Key information on the mining and metals industry in Peru, to assist investors in making decisions regarding the exploration and development of new extractive projects.

The EY Global Capital Confidence Barometer gauges corporate confidence in the economic outlook and identifies boardroom trends and practices in the way companies manage their Capital Agendas.
ACKNOWLEDGEMENTS

STATEMENT

This publication contains summarized information and is therefore intended solely as a general reference guide for facilitating potential business.

It is not intended, under any circumstances, to be used as a substitute for detailed research or the exercise of professional criteria and judgment.

Additionally, the constant changes in the markets and their resulting information may result in the need to update the information included in this document. Project's pictures are referential. EY accepts no responsibility for the economic results that any person, company, or business may attempt to attribute to any material in this publication. For all specific business or investment matters, advice should always be sought from a qualified advisor.
About EY
EY is the global leader in assurance, tax, advisory and strategy and transactions services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

For more information visit ey.com and ey.com/pe

© 2020 EY
All Rights Reserved.