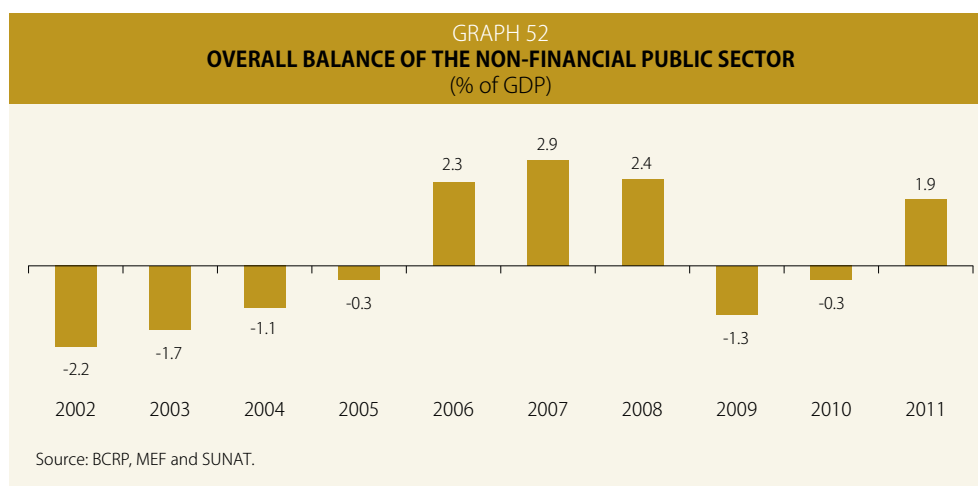




## Public Finances

In 2011, the balance of the non-financial public sector (NFPS) showed a surplus of 1.9 percent of GDP, which contrasted with the deficits of 1.3 and 0.3 percent of GDP recorded in 2009 and 2010, respectively. This economic balance is associated with the recovery of economic activity, the growth of domestic demand, and the higher prices of minerals, all of which had a positive impact on the collection of revenues and on the moderation of growth in non-financial expenditure.



The surplus registered in 2011 was mainly associated with the operations of the general government, which showed a positive balance of 1.8 percent of GDP after having recorded a deficit of 0.2 percent in 2010. This positive balance resulted from higher current revenues (1.0 percentage point of GDP) and from lower non-financial expenditure (1.1 percentage point of GDP).

The rate reduction of several taxes (VAT, the excise tax on fuels, and tariffs on imports) approved by the Executive in the first semester did not imply a reduction in revenues because, together with the growth of domestic demand, the higher prices of our export products and the tax measures adopted to expand the tax base brought about an increase of 13.3 percent in real terms in the tax revenues of the general government.



Measures aimed at controlling government spending were also approved in the first semester with the purpose of generating increased public savings that would allow the treasury to face the risks of an external crisis. In addition to this, an extraordinary transfer for a total of US\$ 1.10 billion was made to the Fiscal Stabilization Fund, as a result of which the Fund's balance rose to US\$ 5.63 billion.

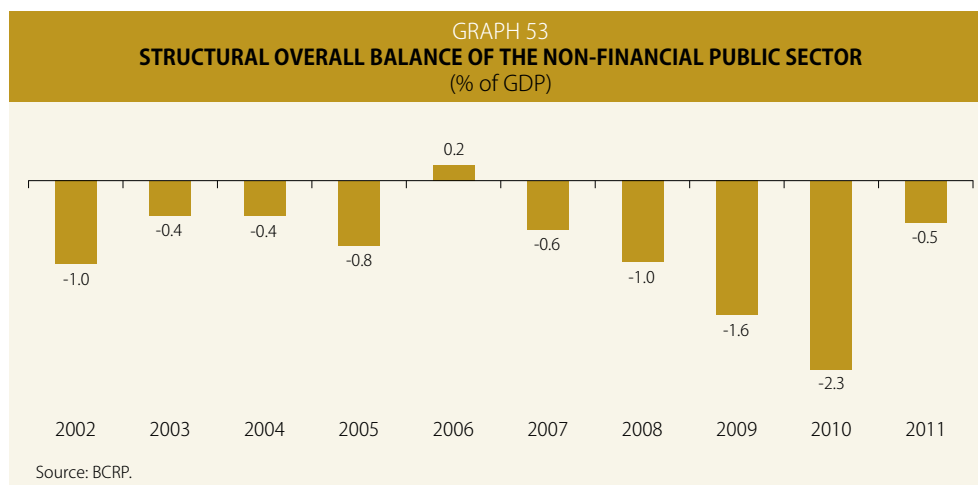
Furthermore, given the persistence of problems in the execution of public spending –particularly in subnational investments– and given the increased deterioration of external conditions, extraordinary measures were approved during the second half of the year with the aim of promoting growth in the economy. The impact of a significant part of these measures would be seen in 2012.

TABLE 48  
OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR

	Millions of nuevos soles			% of GDP		
	2009	2010	2011	2009	2010	2011
<b>I. Primary Balance</b>	<b>13</b>	<b>3,730</b>	<b>14,801</b>	<b>0.0</b>	<b>0.9</b>	<b>3.0</b>
<b>1. Of the General Government</b>	<b>- 784</b>	<b>4,320</b>	<b>14,554</b>	<b>-0.2</b>	<b>1.0</b>	<b>3.0</b>
a. Current revenue	72,201	86,948	102,089	18.9	20.0	21.0
i. Tax revenue	53,842	65,919	77,201	14.1	15.2	15.9
ii. Non-tax revenue	18,359	21,029	24,888	4.8	4.8	5.1
b. Non-financial expenditure	73,433	83,372	87,826	19.2	19.2	18.1
i. Current	51,938	57,141	63,322	13.6	13.1	13.0
ii. Capital	21,496	26,231	24,503	5.6	6.0	5.0
c. Capital revenue	448	744	290	0.1	0.2	0.1
<b>2. Of State Enterprises</b>	<b>797</b>	<b>- 590</b>	<b>247</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.1</b>
<b>II. Interests</b>	<b>5,011</b>	<b>5,085</b>	<b>5,724</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>
1. External debt	3,101	2,927	2,834	0.8	0.7	0.6
2. Domestic debt	1,910	2,158	2,889	0.5	0.5	0.6
<b>III. Overall Balance (I-II)</b>	<b>-4,998</b>	<b>-1,354</b>	<b>9,077</b>	<b>-1.3</b>	<b>-0.3</b>	<b>1.9</b>
1. Net external financing	4,069	-2,077	746	1.1	-0.5	0.2
(Millions of US\$)	\$1,317	-\$728	\$ 277	1.1	-0.5	0.2
a. Disbursements	\$3,225	\$4,261	\$ 990	2.6	2.8	0.6
b. Amortization	\$1,843	\$5,184	\$ 831	1.4	3.4	0.5
c. Others	-\$ 65	\$ 195	\$ 118	-0.1	0.1	0.1
2. Net domestic financing	827	3,013	-9,959	0.2	0.7	-2.0
3. Privatization	102	419	135	0.0	0.1	0.0

Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises and public institutions.

The **structural economic balance**, which isolates the effects of the business cycle and the fluctuations in the prices of mining and hydrocarbon exports on the economic balance, showed a negative balance of 0.5 percent of GDP.



In 2011 the fiscal surplus (S/. 9.08 billion) was higher by S/. 5.57 billion than the financial resources required for the amortization of the public debt (S/. 3.51 billion). Additionally, taking into account that external disbursements were received for the equivalent of S/. 2.72 billion, domestic sovereign bonds were issued for a total of S/. 1.22 billion, and revenue from privatization processes amounted to S/. 135 million, the surplus was equivalent to S/. 9.64 billion. This surplus was mainly destined to the accumulation of public sector deposits.

**TABLE 49**  
**FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR**

	Millions of soles			% of GDP		
	2009	2010	2011	2009	2010	2011
<b>1. Overall balance</b>	<b>-4,998</b>	<b>-1,354</b>	<b>9,077</b>	<b>-1.3</b>	<b>-0.3</b>	<b>1.9</b>
<b>2. Amortization</b>	<b>-7,049</b>	<b>-17,535</b>	<b>-3,509</b>	<b>-1.8</b>	<b>-4.0</b>	<b>-0.7</b>
Redemption of recognition bonds	-336	-742	-485	-0.1	-0.2	-0.1
Domestic debt	-1,235	-2,126	-733	-0.3	-0.5	-0.2
External debt	-5,478	-14,667	-2,291	-1.4	-3.4	-0.5
<b>3. Financial requirements</b>	<b>12,047</b>	<b>18,889</b>	<b>-5,568</b>	<b>3.2</b>	<b>4.3</b>	<b>-1.1</b>
External disbursements	9,802	12,039	2,717	2.6	2.8	0.6
Freely disposable funds	7,968	10,001	851	2.1	2.3	0.2
Investment projects	1,834	2,038	1,866	0.5	0.5	0.4
Domestic bonds	2,757	8,833	1,221	0.7	2.0	0.3
Privatization	102	419	135	0.0	0.1	0.0
Others	-614	-2,401	-9,641	-0.2	-0.6	-2.0

Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises and public institutions.



BOX 6

**NEW MINING TAX REGIME**

The new tax framework for the mining sector approved by the Executive Branch on September 28 became effective since October 1, 2011. The laws that established the new regime for mining include the following:

- Creation of Special Levy on Mining (Law 29790)**  
This special levy applies to mining companies that have tax stability agreements. It is a freely available resource of the national government.
- Amendment of Mining Royalties (Law 29788)**  
The new regime of royalties, applicable to companies without existing tax stability agreements, establishes that the amount payable may not be less than 1 percent of sales. If the company has signed an agreement and is paying royalties, the royalty amounts will be deductible from the special levy. The revenues from this levy are distributed among the three government levels.
- Creation of Special Tax on Mining (Law 29789)**  
Applicable to companies without existing tax stability agreements. The revenues from this tax are allocated to the national government.

In all three cases, the taxable base is the quarterly operating income of mining companies, considering the calendar quarters of January-March, April-June, July-September, and October-December. The applicable rate is determined according to a scale of rising marginal rates based on the operating margin (operating income to sales ratio). The tax, the levy, and the royalty are expenses deductible from the income tax.

**CHANGES IN THE MINING TAX REGIME**

N°	Special levy on mining companies with stability agreements			Special levy on mining companies without stability agreements					
							Mining Royalty		
	Operating margin segments		Marginal rate	Operating margin segments		Marginal rate	Operating margin segments		Marginal rate
	LI	UI		LI	UI		LI	UI	
0	0	10%	4.00%	0%	10%	2.00%	0	10%	1.00%
2	10%	15%	4.57%	10%	15%	2.40%	10%	15%	1.75%
3	15%	20%	5.14%	15%	20%	2.80%	15%	20%	2.50%
4	20%	25%	5.71%	20%	25%	3.20%	20%	25%	3.25%
5	25%	30%	6.28%	25%	30%	3.60%	25%	30%	4.00%
6	30%	35%	6.85%	30%	35%	4.00%	30%	35%	4.75%
7	35%	40%	7.42%	35%	40%	4.40%	35%	40%	5.50%
8	40%	45%	7.99%	40%	45%	4.80%	40%	45%	6.25%
9	45%	50%	8.56%	45%	50%	5.20%	45%	50%	7.00%
10	50%	55%	9.13%	50%	55%	5.60%	50%	55%	7.75%
11	55%	60%	9.70%	55%	60%	6.00%	55%	60%	8.50%
12	60%	65%	10.27%	60%	65%	6.40%	60%	65%	9.25%
13	65%	70%	10.84%	65%	70%	6.80%	65%	70%	10.00%
14	70%	75%	11.41%	70%	75%	7.20%	70%	75%	10.75%
15	75%	80%	11.98%	75%	80%	7.60%	75%	80%	11.50%
16	80%	85%	12.55%	80%	85%	8.00%	More than 80%		12.00%
17	More than 85%		13.12%	More than 85%		8.40%			

Memo:  
LI = Lower limit; UI = Upper limit.

## REVENUES FROM MINING TAXES IN 2011

Exceptionally, mining companies made monthly advanced payments in the months of October, November, and December, which were determined by multiplying the monthly sales, the operating margin of 2010, and the actual rate applicable.

The deadline for the first payment, corresponding to the month of October, was November 30. Most of the revenues from these payments were registered in the Treasury books on the first days of December due to the period established for the accreditation of said payments. The November and December payments were entered in books during the first quarter of 2012.

<b>NEW TAXES ON MINING 2011</b> (Millions of nuevos soles)	
	<b>2011</b>
TOTAL COLLECTED	265
Mining royalties	71
Special Tax on Mining	59
Special levy on Mining	136
Memo: Old royalties	770

## CLASSIFICATION IN FISCAL ACCOUNTS

These taxes are classified in the fiscal accounts as follows:

### **Mining Royalty:**

The mining royalty is defined as the price paid by mining companies to the State for the exploitation of metallic and non-metallic mineral resources. It is classified as a non tax revenue of the national government, which redistributes these resources as transfers to local governments, regional governments, and universities according to the percentages set out in the Law of Mining Royalties (Law 28258)<sup>16</sup>. This classification criterion applies to old royalties as well.

### **Special Tax on Mining:**

This tax is classified as a tax revenue of the national government in fiscal accounts.

### **Special Levy on Mining:**

In fiscal accounts, it is registered as a national government non-tax revenue that is freely available to the Public Treasury.

<sup>16</sup> 20 percent of the total revenues obtained from these taxes goes to the local government(s) of the district(s) from which the natural resource is extracted and 50 percent of this amount is invested in the communities where the natural resource is obtained. Another 20 percent goes to the province(s); 40 percent to the district or province municipalities of the department(s); 15 percent to the regional government(s), and 5 percent to the public universities of the region where the natural resource is in exploitation.



## 1. Revenues of the General Government

The current revenues of the general government, which amounted to 21.0 percent of GDP, were 1.0 percentage point of GDP higher than in 2010, which represents a real growth of 13.6 percent in the revenues of the general government. An increase was observed both in the tax component of revenues and in the non-tax revenues of the national government, reflecting the improvement of economic activity and the increase observed in the prices of our exports.

As a result, the fiscal pressure of the general government, which expresses the current revenues of the government as a ratio of GDP, rose to 21.0 percent in 2011.

**TABLE 50**  
**FISCAL REVENUE RATIOS**  
(% of GDP)

	% of GDP		
	2009	2010	2011
Central government tax burden <sup>1/</sup>	13.7	14.8	15.5
Central government fiscal burden <sup>2/</sup>	15.9	17.2	18.1
Fiscal burden of the general government <sup>2/</sup>	18.9	20.0	21.0

<sup>1/</sup> Central government tax revenues as % of GDP.

<sup>2/</sup> Current revenues as a ratio of GDP.

Source: MEF, Banco de la Nación, BCRP and Sunat.

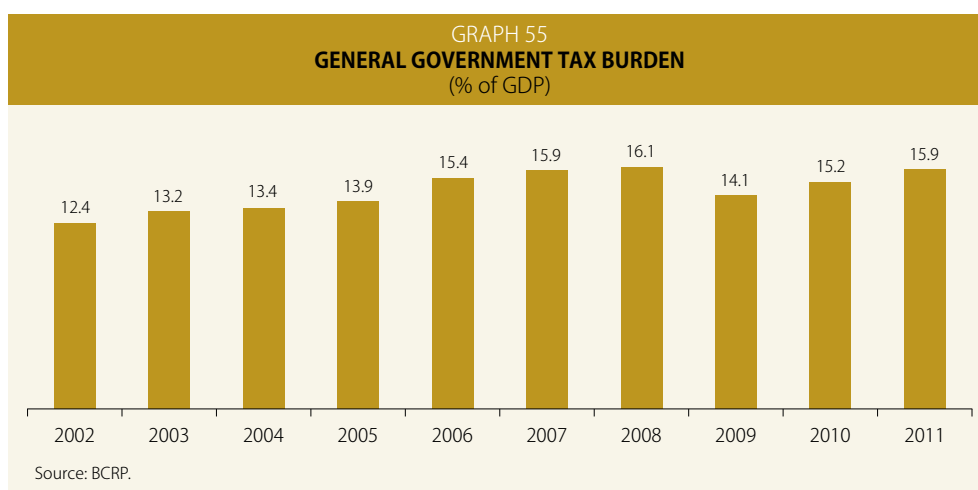
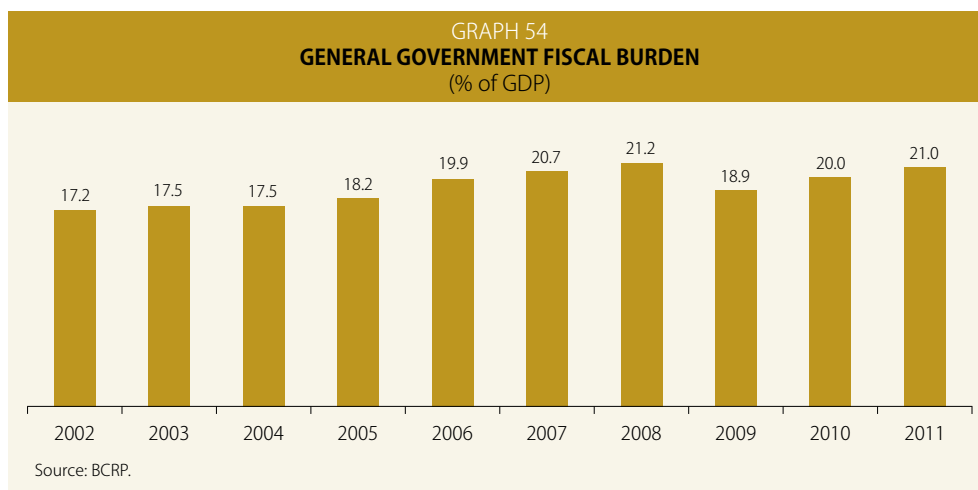
**TABLE 51**  
**GENERAL GOVERNMENT REVENUES**

	Millions of nuevos soles			Real % change		% of GDP		
	2009	2010	2011	2010	2011	2009	2010	2011
<b>I. TAX REVENUE</b>	<b>53,842</b>	<b>65,919</b>	<b>77,201</b>	<b>20.6</b>	<b>13.3</b>	<b>14.1</b>	<b>15.2</b>	<b>15.9</b>
1. Income tax	20,346	25,802	33,627	24.9	26.1	5.3	5.9	6.9
-Individuals	5,608	6,283	7,958	10.4	22.5	1.5	1.4	1.6
-Legal entities	12,269	16,423	21,432	31.8	26.2	3.2	3.8	4.4
-Tax regularization	2,470	3,096	4,237	23.5	32.4	0.6	0.7	0.9
2. Import duties	1,493	1,803	1,380	19.0	-25.9	0.4	0.4	0.3
3. Value-added tax (VAT)	29,519	35,536	40,424	18.6	10.0	7.7	8.2	8.3
-Domestic VAT	17,322	19,629	22,029	11.6	8.6	4.5	4.5	4.5
-VAT on imports	12,197	15,907	18,395	28.5	11.9	3.2	3.7	3.8
4. Excise tax	4,146	4,670	4,720	10.9	-2.2	1.1	1.1	1.0
-Fuels	2,255	2,410	2,231	5.3	-10.4	0.6	0.6	0.5
-Others	1,891	2,260	2,489	17.7	6.6	0.5	0.5	0.5
5. Excise tax	5,676	6,056	6,762	5.1	8.0	1.5	1.4	1.4
-National government	4,400	4,566	5,043	2.2	6.8	1.2	1.1	1.0
-Local government	1,276	1,490	1,719	15.0	11.6	0.3	0.3	0.4
6. Tax returns	-7,339	-7,948	-9,712	6.7	18.2	-1.9	-1.8	-2.0
<b>II. NON-TAX REVENUES</b>	<b>18,359</b>	<b>21,029</b>	<b>24,888</b>	<b>12.8</b>	<b>14.5</b>	<b>4.8</b>	<b>4.8</b>	<b>5.1</b>
Contributions to Essalud and ONP	7,218	7,967	9,071	8.7	10.1	1.9	1.8	1.9
Own resources and transfers	4,444	4,533	4,884	0.5	4.2	1.2	1.0	1.0
Mining, oil and gas royalties <sup>1/</sup>	1,597	2,522	3,755	55.5	44.1	0.4	0.6	0.8
Oil Canon <sup>2/</sup>	1,241	1,840	2,673	46.0	40.5	0.3	0.4	0.5
Others	3,860	4,168	4,505	6.4	4.6	1.0	1.0	0.9
<b>III. TOTAL</b>	<b>72,201</b>	<b>86,948</b>	<b>102,089</b>	<b>18.6</b>	<b>13.6</b>	<b>18.9</b>	<b>20.0</b>	<b>21.0</b>

<sup>1/</sup> Compensation for the use of state property.

<sup>2/</sup> Percentage of value of production for the right to exploit natural resources redistributed to the regions.

Source: SUNAT, Essalud, ONP, charity societies, regulatory agencies and registry offices.



Revenues from the **income tax** grew from 5.9 to 6.9 percent in GDP terms due to the higher payments of mining companies (up by a real 33.8 percent) and companies in the sector of services (up by a real 8.5 percent). The revenues from the income tax were boosted by the better international prices of metals, particularly in the first three quarters of the year.

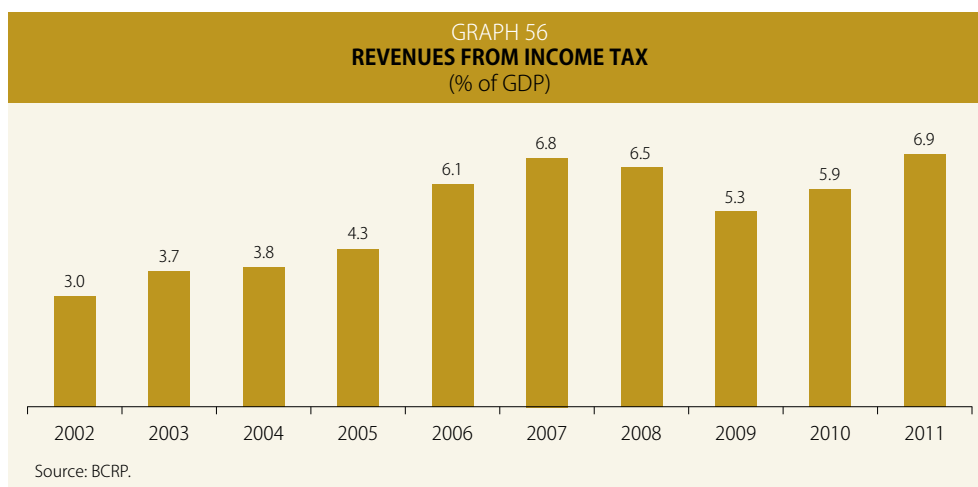




TABLE 52  
**REVENUES FROM CORPORATE TAX BY SECTORS**  
 (Millions of nuevos soles)

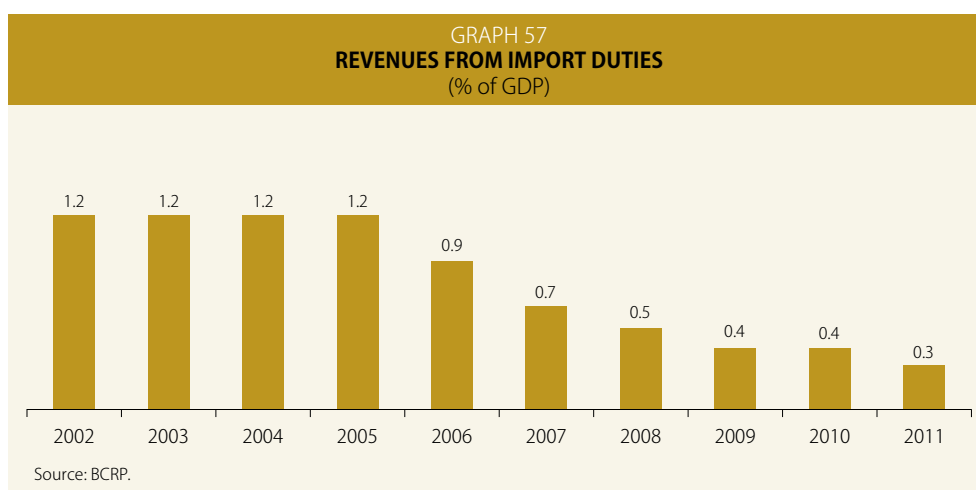
	2009	2010	2011	Real % change	
				2010	2011
Mining	3,018	5,618	7,764	83.5	33.8
Services <sup>1/</sup>	4,604	5,377	6,585	15.2	18.5
Manufacturing	2,004	2,307	2,938	13.5	23.1
Commerce	2,099	2,267	2,909	6.4	24.2
Hydrocarbons	543	1,056	1,835	91.7	68.1
Construction	548	715	1,050	28.8	42.2
Fishing	54	124	134	128.7	4.3
Agriculture and livestock	38	44	92	15.4	102.5
<b>TOTAL</b>	<b>12,907</b>	<b>17,507</b>	<b>23,308</b>	<b>33.8</b>	<b>28.8</b>

<sup>1/</sup> Includes activities in real estate, business, leasing, telecommunications, financial intermediation, health, social services, tourism and hotels, electric generation, and water services.  
 Source: SUNAT.

Revenues from the income tax for individuals grew by a real 22.5 percent due to the higher payments of fifth and fourth category income tax, which reflected the growth of employment in the formal labor market.

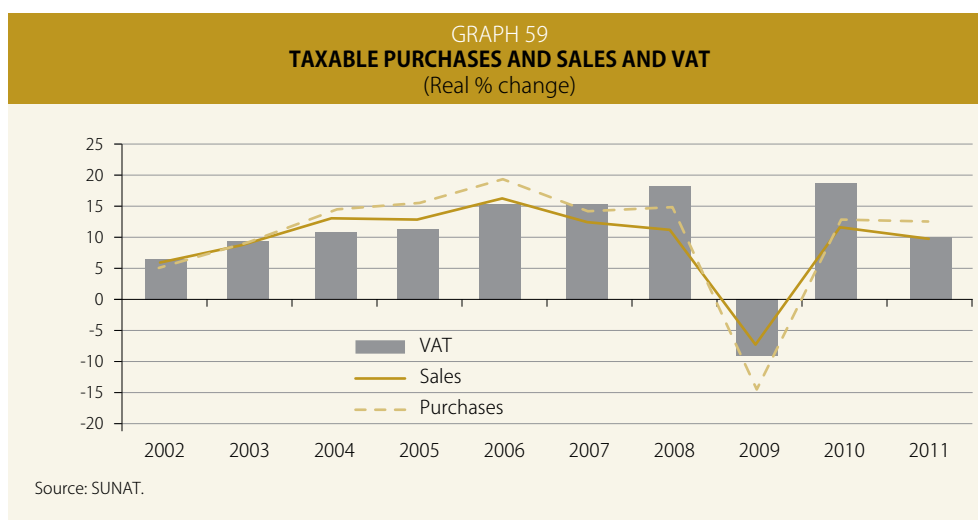
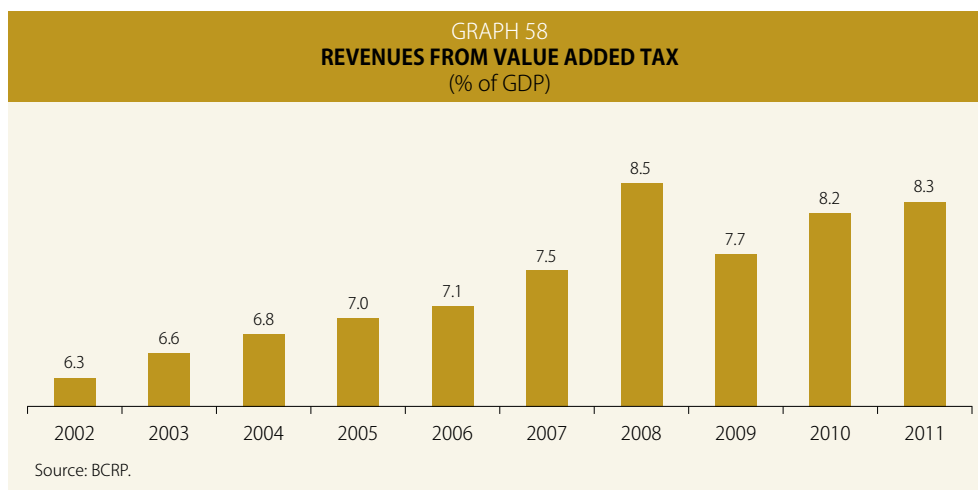
The revenues from **import duties** declined 25.9 percent in real terms, but fell from 0.4 percent to 0.3 percent as a percentage of GDP between 2010 and 2011. This decline was due to the reduction of tariff rates decreed in December 2010 (S.D. 279-2010-EF) and in April 2011 (S.D. 055-2011-EF), which reduced the mean effective tariff from 2.2 to 1.4 percent. The effect of this rate reduction was in part offset by the increase of imports in the period.

GRAPH 57  
**REVENUES FROM IMPORT DUTIES**  
 (% of GDP)

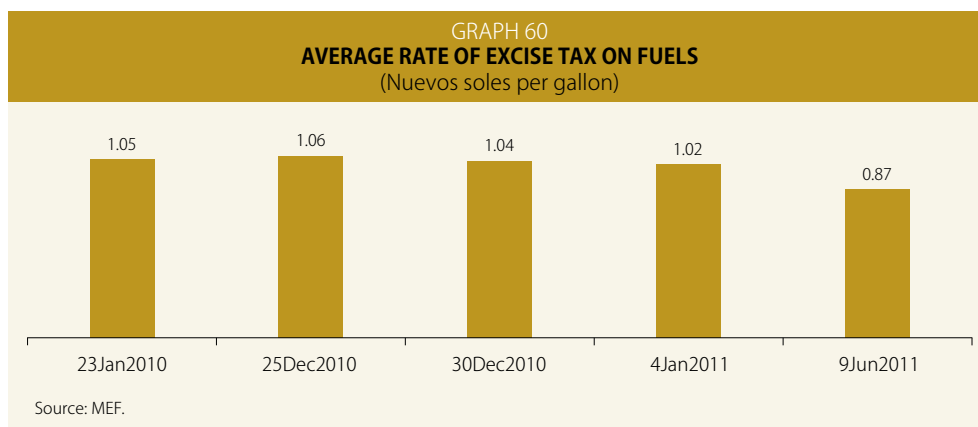


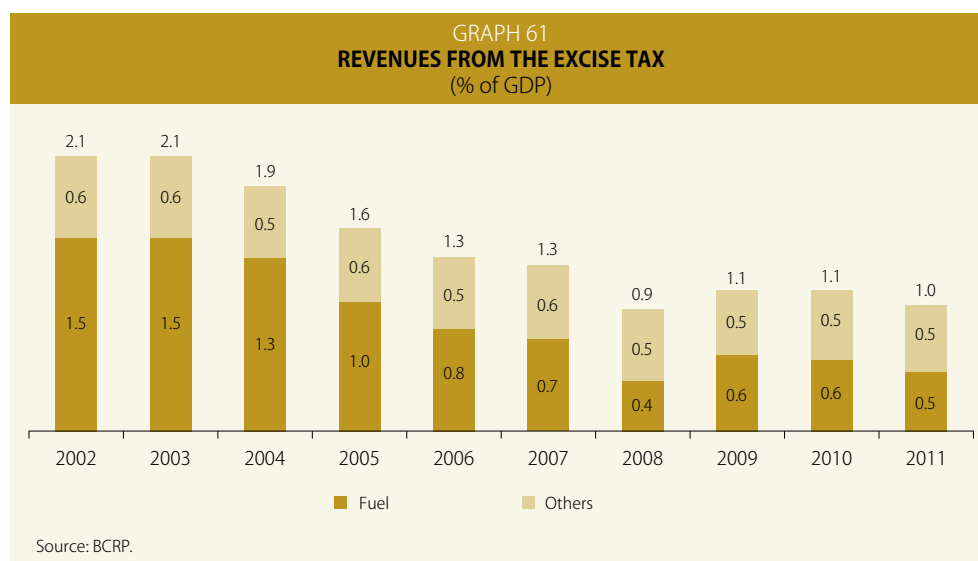
Revenues from the **value added tax (VAT)** grew by a real 10.0 percent, rising from an equivalent of 8.2 percent of GDP to 8.3 percent of GDP. This increase is associated with the growth of economic activity and with the measures implemented to expand the tax base –particularly measures to expand the VAT withholding regime–, which offset the effect of the reduction of the tax rate that became effective in March 2011 (the tax rate was lowered from 19 to 18 percent).





The revenues from the **excise tax** (ISC) fell 2.2 percent in real terms and declined from 1.1 percent to 1.0 percent as a percentage of GDP. This fall is explained by the lower revenues from the excise tax on fuels, which resulted from the reduction of the average rate from S/. 1.02 to S/. 0.87 per gallon decreed in June 2011 (S.D. 097-2011-EF).





Revenues from **other tax revenues remained** at 1.4 percent of GDP, which implied a real increase of 8.0 percent. The increases registered in the temporary tax on net assets (24.1 percent) and fines (57.7 percent) should be pointed out. On the other hand, the tax on financial transactions fell 59.5 percent due to reduction of the rate from 0.05 percent in 2010 to 0.005 percent since April 1, 2011 (Law N° 29667). Other tax revenues also include the Special Tax on Mining, established by Law N° 29789, which resulted in a collection of revenues for a total of S/. 59 million in November and December.

**Tax returns**, which were equivalent to 2.0 percent of GDP, recorded a real growth of 18.2 percent reflecting the increase of exports (28 percent). The latter offset the reduction in the drawback, which declined from 6.5 to 5.0 percent.

**Non-tax revenues** recorded a real growth of 14.5 percent as a result of the upward trend observed in the international prices of minerals, especially in the first three quarters of the year, which resulted in increased revenues from royalties and from oil and gas royalties (canon). In addition, the revenues from contributions to social security system increased significantly reflecting the higher number of people who contribute to this system nowadays.

## 2. Expenditure of the General Government

Declining by 1.1 percentage points of GDP compared to 2010, the expenditure of the general government was equivalent to 18.1 percent of GDP. This decline is explained by lower spending in the implementation of investment projects, which decreased from 5.5 to 4.7 percent of GDP.

Non-financial expenditure for over 19 percent of GDP was recorded in 2009-2010 in the context of implementation of the 2009-2010 Economic Stimulus Plan to face the negative effects of the international crisis. This expenditure slowed down thereafter in 2011 due to the difficulties faced by the newly elected authorities in terms of budget management and due to the fiscal policy measures implemented in the first semester to generate the necessary fiscal space to face the worsening of international conditions through the control of public expenditure.

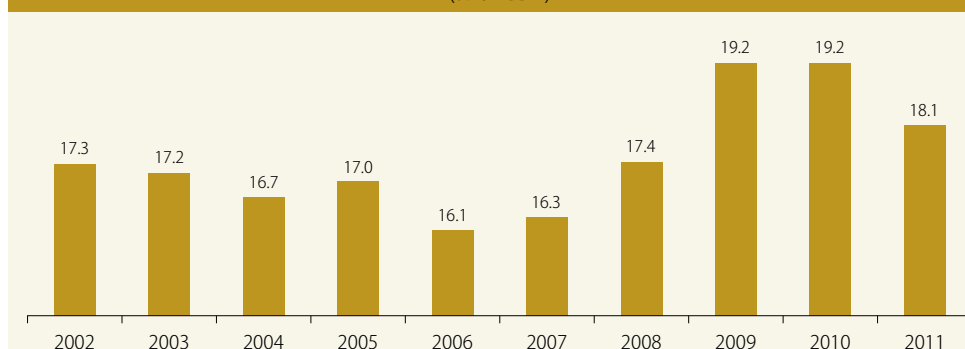
By government levels, the non-financial expenditure of the national government was equivalent to 11.2 percent of GDP, while the non-financial expenditure of subnational governments was equivalent to 6.8 percent of GDP.

TABLE 53  
GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE <sup>1/</sup>

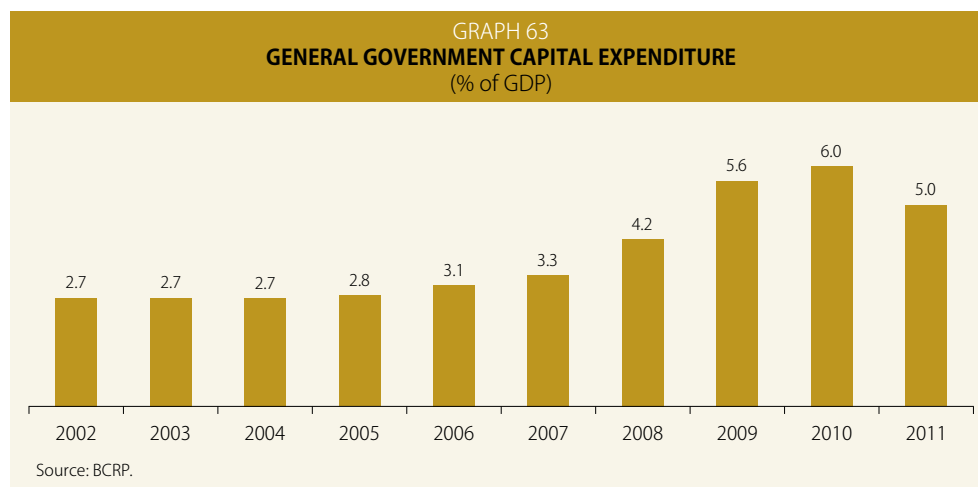
	Millions of nuevos soles			Real % change		% of GDP		
	2009	2010	2011	2010	2011	2009	2010	2011
<b>I. CURRENT EXPENDITURE</b>	<b>51,938</b>	<b>57,141</b>	<b>63,322</b>	<b>8.3</b>	<b>7.1</b>	<b>13.6</b>	<b>13.1</b>	<b>13.0</b>
<b>Wages and salaries</b>	<b>19,647</b>	<b>20,834</b>	<b>22,868</b>	<b>4.4</b>	<b>6.1</b>	<b>5.1</b>	<b>4.8</b>	<b>4.7</b>
National government	11,347	12,181	13,388	5.7	6.3	3.0	2.8	2.8
Regional governments	6,758	6,804	7,534	-0.9	7.0	1.8	1.6	1.5
Local governments	1,542	1,849	1,946	18.0	1.8	0.4	0.4	0.4
<b>Goods and services</b>	<b>19,093</b>	<b>22,343</b>	<b>23,912</b>	<b>15.2</b>	<b>3.4</b>	<b>5.0</b>	<b>5.1</b>	<b>4.9</b>
National government	13,699	15,818	16,627	13.6	1.6	3.6	3.6	3.4
Regional governments	1,549	2,005	2,306	27.3	10.9	0.4	0.5	0.5
Local governments	3,844	4,520	4,979	15.7	6.3	1.0	1.0	1.0
<b>Transfers</b>	<b>13,198</b>	<b>13,964</b>	<b>16,543</b>	<b>4.2</b>	<b>14.6</b>	<b>3.5</b>	<b>3.2</b>	<b>3.4</b>
National government	10,388	11,042	13,432	4.7	17.7	2.7	2.5	2.8
Regional governments	1,995	1,981	2,080	-2.2	1.5	0.5	0.5	0.4
Local governments	815	941	1,031	13.6	5.8	0.2	0.2	0.2
<b>II. CAPITAL EXPENDITURE</b>	<b>21,496</b>	<b>26,231</b>	<b>24,503</b>	<b>20.0</b>	<b>-10.0</b>	<b>5.6</b>	<b>6.0</b>	<b>5.0</b>
<b>Gross Capital Formation</b>	<b>19,584</b>	<b>24,025</b>	<b>22,922</b>	<b>20.6</b>	<b>-8.1</b>	<b>5.1</b>	<b>5.5</b>	<b>4.7</b>
National government	6,374	9,064	9,689	39.8	3.2	1.7	2.1	2.0
Regional governments	4,076	4,956	4,710	19.5	-8.5	1.1	1.1	1.0
Local governments	9,134	10,005	8,524	7.7	-18.1	2.4	2.3	1.8
<b>Other capital expenditure</b>	<b>1,912</b>	<b>2,206</b>	<b>1,581</b>	<b>13.5</b>	<b>-30.8</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>
<b>III. NON FINANCIAL EXPENDITURE (I+II)</b>	<b>73,433</b>	<b>83,372</b>	<b>87,826</b>	<b>11.7</b>	<b>1.7</b>	<b>19.2</b>	<b>19.2</b>	<b>18.1</b>
National government	43,411	50,057	54,406	13.5	5.1	11.4	11.5	11.2
Regional governments	14,586	15,871	16,704	7.1	1.6	3.8	3.7	3.4
Local governments	15,436	17,444	16,715	11.1	-7.7	4.0	4.0	3.4

<sup>1/</sup> Preliminary data. Net of commissions and intergovernmental transfers.  
Source: MEF.

GRAPH 62  
GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE  
(% of GDP)



Source: BCRP.



### National Government

The non-financial expenditure of the national government was equivalent to 11.2 percent of GDP, which represents a real growth of this non-financial expenditure of 5.1 percent compared to 2010. This growth was mostly observed in current transfers (17.7 percent in real terms) and salaries and wages (6.3 percent in real terms).

**Expenditure in salaries and wages** recorded a real growth rate of 6.3 percent compared to 2010 due to the extraordinary bonuses paid to active and retired disabled members of the Armed Forces and Policía Nacional del Perú (Bonificación Extraordinaria por Gratiud)<sup>17</sup>. This growth is also explained by the differential paid to all the teachers that have been included in the different levels of the public teaching career (Carrera Pública Magisterial).

**Expenditure in goods and services**, which amounted to 3.4 percent of GDP, was 1.6 percent higher in real terms than in 2010 due to the higher allocations assigned to the following:

- Ministry of Transport and Communications, for the maintenance and repair of the following highways and roads: (Empalme PE 18A-Desvío Tingo María-Aucayacu-Nuevo Progreso-Tocache-Juanjuí-Picota-Tarapoto; Conococha-Huaraz-Caraz-Molinopampa-Chiquián-Aquia-Empalme 3N; La Oroya-Chicrín-Huánuco-Tingo María-Empalme 5N; Desvío Abancay-Chuquibambilla-Chalhahuacho-Santo Tomás-Yauri; Huancané-Moho-Tilali-Frontera Bolivia and Desvío Huancané-Putina-Sandia-San Ignacio; Empalme 3S Comas-Satipo-Mazamari-Puerto Ocopa-Atalaya and Mazamari-San Martín de Pangoa-Punta de Carretera; among other roads).
- Ministry of Educations, for teacher training and literacy programs.
- Ministry of Foreign Affairs, for diplomatic missions, commercial offices, and the development of bilateral policy actions.
- Ministries of Defense and Interior, for the recovery of operative capacity, police surveillance, and the maintenance of machinery and equipment.
- Oficina Nacional de Procesos Electorales (ONPE) and Jurado Nacional de Elecciones (JNE), for the organization and development of the presidential elections (first and second electoral rounds).
- Ministry of Women's Affairs, for program management and support of programs oriented to abandoned children and youths living in risk conditions.

<sup>17</sup> This special bonus, established by Emergency Decree N° 020-2011 (13-05-11), will be paid on a monthly basis to active and retired members of the Armed Forces and Police together with their monthly salaries or pensions from May 2011 to April 2012.

- Registro Nacional de Identificación y Estado Civil (RENIEC), to provide ID to children and adults in urban and rural areas.

**Expenditure for current transfers** grew from 2.5 percent of GDP in 2010 to 2.8 percent of GDP in 2011 (17.7 percent in real terms).

The main transfers included the ones made to the following programs and agencies:

- Seguro Integral de Salud (SIS), for health services for people living in conditions of extreme poverty.
- Maintenance of medical infrastructure and equipment used in basic health care services.
- Child care through the Wawa Wasi programs in different departments of the country.
- Net payments of the Fuel Price Stabilization Fund to importers and refiners of crude oil-derived fuels.
- Payment of accrued payments by Oficina de Normalización Previsional.
- Transfers to poor households participating in Programa Juntos.
- Transfers to international organizations for international technical cooperation, social assistance, and protection of vulnerable populations.

**Capital expenditure** decreased by a real 3.8 percent, from 2.5 percent of GDP in 2010 to 2.3 percent of GDP in 2011, due to the decline of other capital expenditure (37.1 percent) which offset the increase registered in gross capital formation (3.2 percent).

The decline in other capital expenditure was associated with the transfer of S/.290 million to Corporación Financiera de Desarrollo (Cofide) in January 2010 to establish the Fund for Infrastructure (Emergency Decree 018-2009) and with the significant decline in 2011 of transfers of Foncode to local governments to support social and productive infrastructure.

The increase in gross capital formation was concentrated mainly in the following sectors: Transports (S/. 5.84 billion), road maintenance and road improvement; Education (S/. 1.05 billion), improvement of infrastructure and education quality; Health (S/. 433 million), improvement and equipment of hospital emergency services; Electricity (S/. 354 million), implementation of small power systems in several villages; Agriculture (S/. 312 million), improvement of irrigation infrastructure and conservation of natural resources, and Housing (S/. 169 million), Drinking Water and Rural Sanitation Project.

The main investment projects of the general government were the works to build the highways IIRSA Sur and Norte (S/. 1.83 billion), the Tren Eléctrico project (S/. 1.11 billion), the expropriation of land for the construction of the second runway of Jorge Chávez International Airport (S. 884 million), and the Chongoyape-Cochabamba-Cajamarca road (S. 442 million). These four projects concentrated 18 percent of total investment executed by the general government in 2011. All of these projects are part of transport sector managed by the national government.



TABLE 54  
**MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT**  
(Millions of nuevos soles)

ECONOMIC SECTOR	2,010	2,011	Flows
<b>TRANSPORT</b>	<b>4,936</b>	<b>5,845</b>	<b>908</b>
Road Concessions-IIRSA Sur and Norte	2,136	1,831	-306
Special Project Tren Eléctrico	794	1,110	316
Airport Concessions	472	884	412
Rehabilitation and improvement of the Chongoyape - Cochabamba - Cajamarca highway	121	442	321
Rehabilitation and improvement of the Ayacucho - Abancay highway	330	248	-82
Rehabilitation and improvement of the Quinua-San Francisco highway	1	180	179
Improvement and expansion of the entrance to Callao port terminal entrance	32	124	91
Construction and improvement of the Camaná-Matarani-Ilo-Tacna highway	85	98	13
Rehabilitation of the rural road network	26	96	70
Construction and improvement of the Cusco - Quillabamba highway	75	91	16
Rehabilitation and improvement of the Casma - Yaután - Huaraz highway	113	69	-44
Rehabilitation and improvement of the Churín - Oyón highway	43	63	20
Rehabilitation of the Chanchamayo-Villa Rica highway	7	59	52
Rehabilitation and improvement of the Tingo Maria-Aguaytía-Pucallpa highway	120	45	-75
Rehabilitation and improvement of the Patahuasi - Yauri-Sicuani highway	16	45	29
Rehabilitation and improvement of the Trujillo-Shiran-Huamachuco highway	34	34	0
Construction of by-pass in Ramiro Priale - Avenida Las Torres and Carretera Central	44	31	-13
Rehabilitation and improvement of the Sullana-El Alamo Eje Vial # 2 highway	34	26	-8
Rehabilitation and improvement of the Cusco airport pavements	42	20	-22
Rehabilitation and improvement of the road-Tocache Tocache	43	8	-34
Port concessions	14	3	-12
Others	352	336	-16
<b>HEALTH</b>	<b>384</b>	<b>433</b>	<b>48</b>
Improvement and equipment of hospitals emergency services	366	404	38
Support to Health Sector Reform PAR-Salud	8	9	1
Others	11	20	9
<b>ELECTRICITY</b>	<b>518</b>	<b>354</b>	<b>-164</b>
Installation of small power systems in several towns	512	347	-165
Others	6	8	1
<b>AGRICULTURE AND LIVESTOCK</b>	<b>415</b>	<b>312</b>	<b>-103</b>
Support agriculture	120	105	-15
Irrigation infrastructure	115	94	-21
Eradication of fruit fly Ceratitis capitata from the coast of Peru	41	32	-9
Others	139	81	-58
<b>HOUSING</b>	<b>183</b>	<b>169</b>	<b>-14</b>
Housing sector support	4	26	22
National Rural Water Supply and Sanitation project	105	105	-1
Rights of real property	25	22	-4
Others	48	17	-32
<b>ECONOMY</b>	<b>133</b>	<b>111</b>	<b>-21</b>
Support for government reform and improving the customs system	54	61	7
Promotion of private investment and management improvement	65	43	-22
Others	14	8	-6
<b>JUSTICE</b>	<b>120</b>	<b>93</b>	<b>-27</b>
Improvement of administration of justice	88	54	-34
Others	32	39	7
<b>EDUCATION</b>	<b>911</b>	<b>1,050</b>	<b>139</b>
Improvement of education infrastructure	744	879	135
Others	167	171	4
<b>OTHERS</b>	<b>1,463</b>	<b>1,321</b>	<b>-141</b>
<b>TOTAL</b>	<b>9,064</b>	<b>9,689</b>	<b>625</b>

Source: MEF.

### Regional Governments

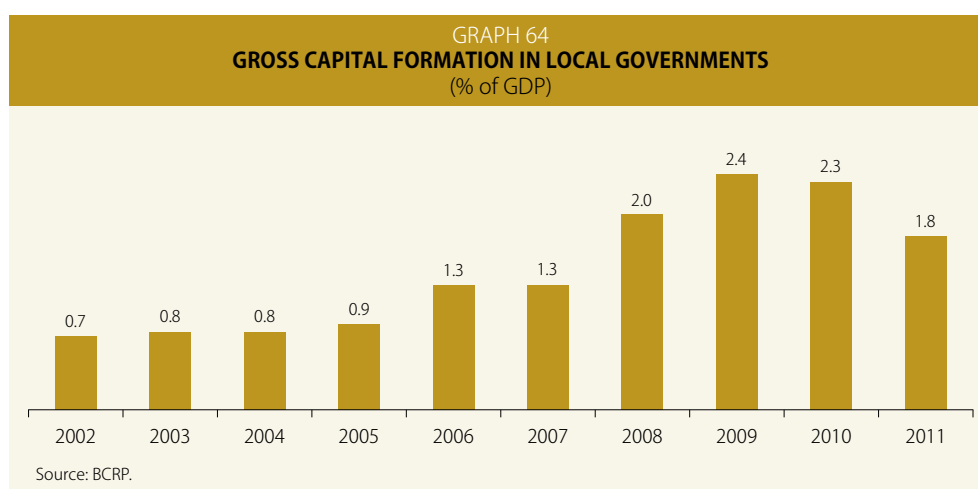
The non-financial expenditure of regional governments increased 1.6 percent in real terms, even though they declined from 3.7 to 3.4 percent in GDP terms. The higher increases in real terms were observed in the purchases of goods and services (10.9 percent) and in salaries and wages (7.0 percent).

### Local Governments

The non-financial expenditure of local governments financial recorded a real decrease of 7.7 percent compared to the previous year, reflecting the fact that new municipal authorities took office after the elections. Current expenditures, which only registered a moderation of growth, closed the year with an increase of 5.3 percent in real terms.

Despite the decline observed in investments, the execution of the following projects should be pointed out: improvement of the Camiara-Toquepala-Mirave (Tacna) highway; implementation of drinking water and sewage systems in the highlands of Paucarpata (Arequipa), in the human settlements of Castilla (Piura), Tambo Grande (Piura), and Tuman (Lambayeque); the North-South Subsystem of the Urban Transport Program in Metropolitan Lima; the improvement and construction of roads and sidewalks in Talara (Piura) and Yunguyo (Puno); and the improvement of the irrigation infrastructure and sports and recreational infrastructure in several provinces and districts.

The municipalities with the largest investments were the municipalities of Metropolitan Lima (S/. 241 million); the municipalities of the districts of Echarate (S/. 140 million), Ilabayat (S/. 98 million), San Marcos (S/. 87 million), and municipality of the Province of Cajamarca (S/. 77 million). These five local governments concentrated 8 percent of total municipal investments (S/. 8.52 billion).



### 3. State Enterprises

The economic balance of state-owned enterprises –defined as the cash flow of these enterprises– showed a surplus of S/. 134 million, which contrasted with the deficit of S/. 683 million recorded in 2010. This balance is explained by the surpluses registered by the regional electricity companies, Electroperú, and Sedapal.

**The regional electricity companies** showed an overall surplus of S/. 165 million –S/. 131 million higher than in 2010– mainly as a result of lower capital transfers for rural electrification programs.

This balance was mainly associated with lower investment in the following projects: Second phase of the rehabilitation of the Machupicchu power plant (Egamsa), transfer of gas turbines from Mollendo to Pisco,



Reinforcement of dam Pillones in the River Chili basin (Egasa), conversion of Calana thermal groups to gas (Egesur), and expansion or remodeling of transmission and distribution grids, and rural electrification (by Grupo Distriluz).

In contrast with the deficit of S/. 391 million it recorded in 2010, **Electroperú** showed a surplus of S/. 99 million in 2011 due to its lower capital expenditure given that its long term debt, which amounted to S/. 347.2 million, was paid off in January 2010. Moreover, lower transfers were made to Fonahpu.

**Sedapal** recorded a surplus of S/. 13 million, which contrasted with the deficit it recorded in 2010. This positive balance was due mainly to lower investment in the following investment projects: Water and Sanitation Project in Marginal Areas of Lima (PROMESAL); Program Agua para Todos, and Improvement of Water and Sewage Systems.

**Petroperú** showed a deficit of S/. 174 million. This deficit, which was S/. 81 million lower than the one recorded in 2010, was mainly associated with the net payments of the Fuel Price Stabilization Fund and with tax returns from SUNAT in January 2011, but offset by increased investment in the Modernization of the Refinery of Talara.

TABLE 55  
OVERALL BALANCE OF STATE ENTERPRISES

	Millions of nuevos soles			% of GDP		
	2009	2010	2011	2009	2010	2011
Petroperú	401	- 255	- 174	0.1	-0.1	0.0
Electroperú	71	- 391	99	0.0	-0.1	0.0
Regional Electricity Companies	194	34	165	0.1	0.0	0.0
Sedapal	- 228	- 233	13	-0.1	-0.1	0.0
Others	249	163	31	0.1	0.0	0.0
<b>TOTAL</b>	<b>688</b>	<b>- 683</b>	<b>134</b>	<b>0.2</b>	<b>-0.2</b>	<b>0.0</b>

Source: State enterprises and Fonafe.

#### 4. Promotion of Private Investment

Investment commitments associated with concessions and revenues for privatization processes totaled US\$ 3.63 billion. Investment commitments for concessions in the sectors of transport and communications, electricity, mining, and ports amounted to US\$ 3.62 billion, while revenues for the privatization of services for tourism (hotels and projects) amounted to US\$ 11 million.

Among the committed investments associated with concessions, the following projects are worth pointing out:

1. Energy generation by power plants with a capacity of 500 MW: investment for a total of US\$ 1.8 billion has been committed for the concession of energy power plants granted to several companies, which together will supply 554MW.
2. Multi-purpose North Terminal at the Port of Callao, with an investment of US\$ 761 million.
3. Mining project Magisterial (Empress Actives Miners S.A.), with an investment of US\$ 400 million.
4. Special Project System Eléctrico de Transported Massive de Lima y Callao Linear 1, Villa El Salvador - Agenda Gray - San Juan de Lurigancho, with an investment of US\$ 240 million.
5. Band C with 1900 MHz. (fourth operator), with an investment commitment of US\$ 150 million.
6. Cold Reserve Generation Plant: Power plant of Eten, 200 MW (previously in Trujillo), with an investment of US\$ 113 million.



7. Trujillo-Chiclayo transmission line, in 500 KV, US\$ 110 million.
8. Port terminal of Yurimaguas - Nueva Reforma, US\$ 50 million.

TABLE 56  
**PRIVATIZATION AND CONCESSIONS 2011**  
 (Millions of US\$)

SALE OF STOCKS, ASSETS AND CONCESSIONS	DATE	AWARDED TO	TRANSACTION OR INVESTMENT
1900 MHz Band C (Fourth Operator) <sup>1/</sup>	January 27	Viettel Group from Vietnam	150.0
Special Project <i>Tren Eléctrico</i> Line 1. Villa el Salvador - Av. Grau - San Juan de Lurigancho	February 22	Consortio Tren Lima. Line 1 (Graña Montero S.A. and Ferrovías S.A.)	240.0
El Chaco - La Puntilla Lot D Tourism project	March 10	Consortio Shamrock del Perú S.A.C. and partners	3.7
500 MW Hydroelectric power plants	March 24	Several operators which will offer a combined capacity of 544 MW <sup>2/</sup>	1,800.0
500 KV Trujillo – Chiclayo Transmission Line	March 31	Interconexión Eléctrica S.A. E.S.P – ISA. <sup>3/</sup>	110.0
Multipurpose Terminal in Port of Callao	April 01	Consortio APM Terminals Callao: APM Terminals. Callao Port Holding and Port Central <sup>4/</sup>	761.0
200 MW Cold reserve power plant at Eten	April 07	Consortio Cobra - Enersa. <sup>5/</sup>	113.0
Magistral mining project (Empresa Activos Mineros S.A.)	April 15	Compañía Minera Milpo S.A.A. <sup>6/</sup>	400.0
Terminal Port of Yurimaguas - Nueva Reforma	April 27	Consortio Portuario Yurimaguas, integrated by Construcción y Administración S.A. and Hidalgo & Hidalgo S.A. <sup>7/</sup>	50.4
IT project for the comprehensive development of Communities at Candarave	June 21	Consortio Optical	3.6
Ex Hotel de Turistas of Iquitos	July 07	Sur Inversiones E.I.R.L.	1.1
Consortio Hotelero del Norte	July 13	Shareholders of Consortio Hotelero del Norte <sup>8/</sup>	0.8
Ex Hotel de Turistas of Chimbote	August 24	Representaciones e Inversiones Cajacho	1.9
10.15-10.30 and 10.50-10.65 GHz Bands in Lima and Callao	December 15	Global Crossing Perú S.A. <sup>9/</sup>	0.2
<b>TOTAL</b>			<b>3,635.7</b>

<sup>1/</sup> The economic bid and the investment bid for of access to internet broad band was US\$ 1.3 million and for 4,025 local schools.

<sup>2/</sup> Consortio Generación Pucara - Bids 1 and 2 (60 MW); Empresa de Generación Huallaga S. A. - Bid 1 (284 MW) and Cerro del Aguila S.A. - Bid 1 (200 MW).

<sup>3/</sup> Bidder proposed an investment cost of US\$ 101.4 million; an operation and maintenance annual cost of US\$ 3.2 million, and total service cost of US\$ 15.8 million.

<sup>4/</sup> The concession was granted to these bidders for offering a greater discount for special services and for making the best economic offer (US\$ 761.0 million without VAT).

<sup>5/</sup> The bid included a power price of US\$ 7,627/MW - month, a construction period of 24 months and a concession period of 20 years.

<sup>6/</sup> The concession was awarded to a project with a financial proposal of US\$ 8.0 million as the price for the option right and for a maximum period of 48 months.

<sup>7/</sup> The bid involved an annual payment of S/. 6.7 million for works, a payment of S/. 2.7 million for maintenance and operation, and an overall economic bid of S/. 50.4 million.

<sup>8/</sup> Shareholders made use of their preferential right to purchase the shares.

<sup>9/</sup> The operator is required to meet the demand for wide band transmission during the concession period (20 years), and also provide free internet wide band connections to eleven police stations of the Ministry of Interior, with three years of free service.

Source: PROINVERSION.



## 5. Public Debt

The total public debt totaled S/. 103.27 billion (21.2 percent of GDP), which represented an increase of S/. 2.09 billion relative to the amount of the total public debt in 2010.

TABLE 57  
PUBLIC DEBT BALANCE <sup>1/2/</sup>

	Millions of nuevos soles			% of GDP		
	2009	2010	2011	2009	2010	2011
<b>PUBLIC DEBT</b>	<b>99,619</b>	<b>101,176</b>	<b>103,271</b>	<b>26.1</b>	<b>23.3</b>	<b>21.2</b>
<b>I. EXTERNAL PUBLIC DEBT <sup>3/</sup></b>	<b>59,524</b>	<b>55,914</b>	<b>54,470</b>	<b>15.6</b>	<b>12.9</b>	<b>11.2</b>
Loans	33,789	29,766	29,399	8.8	6.8	6.0
International organizations	24,014	21,938	21,335	6.3	5.0	4.4
Paris Club	9,054	7,158	7,140	2.4	1.6	1.5
Suppliers	148	111	81	0.0	0.0	0.0
International banks	536	507	798	0.1	0.1	0.2
Latin America	32	24	19	0.0	0.0	0.0
Other bilateral organizations <sup>4/</sup>	5	28	27	0.0	0.0	0.0
Global bonds	25,735	26,147	25,071	6.7	6.0	5.2
<b>II. DOMESTIC PUBLIC DEBT</b>	<b>40,095</b>	<b>45,262</b>	<b>48,801</b>	<b>10.5</b>	<b>10.4</b>	<b>10.0</b>
<b>1. LONG TERM</b>	<b>33,428</b>	<b>39,919</b>	<b>40,942</b>	<b>8.7</b>	<b>9.2</b>	<b>8.4</b>
Bank loans	653	1,051	1,712	0.2	0.2	0.4
Treasury bonds	32,627	38,768	39,178	8.5	8.9	8.1
1. Bonds to support the financial system	352	342	328	0.1	0.1	0.1
2. Debt swap bonds <sup>5/</sup>	2,289	1,950	1,890	0.6	0.4	0.4
3. Sovereign bonds	21,312	28,512	29,239	5.6	6.6	6.0
4. Recognition bonds	8,673	7,965	7,721	2.3	1.8	1.6
Municipality of Lima Bonds	147	100	52	0.0	0.0	0.0
<b>2. SHORT TERM <sup>6/</sup></b>	<b>6,667</b>	<b>5,343</b>	<b>7,859</b>	<b>1.7</b>	<b>1.2</b>	<b>1.6</b>
Memo:						
Liabilities of Private-Public Partnerships <sup>7/</sup>	4,234	4,547	4,340	1.1	1.0	0.9
Net debt	52,162	49,913	39,295	13.6	11.5	8.1
Bond holdings	47,048	54,659	54,310	12.3	12.6	11.2
Sovereign bonds	21,312	28,512	29,239	5.6	6.6	6.0
Residents	17,244	16,397	16,139	4.5	3.8	3.3
Non residents	4,069	12,115	13,100	1.1	2.8	2.7
Global bonds	25,735	26,147	25,071	6.7	6.0	5.2
Residents	5,465	3,605	2,240	1.4	0.8	0.5
Non residents	20,271	22,542	22,831	5.3	5.2	4.7

<sup>1/</sup> Preliminary data.

<sup>2/</sup> The bonds are classified according to the market where they were issued. Therefore, the Brady and Global Bonds issued abroad are part of the external public debt, including those purchased by residents. Sovereign bonds issued in the domestic market include those acquired by non-residents.

<sup>3/</sup> The external debt includes COFIDE's medium and long term debt and excludes loans to support the balance of payments.

<sup>4/</sup> Debt with Eastern Europe countries, the former Soviet Union countries and the People's Republic of China.

<sup>5/</sup> D.U. N° 068-99. D.S. N° 002-2007-EF.

<sup>6/</sup> Includes Public Treasury overdrafts in Banco de la Nación float debt of revenue and expenditure and credit to the Instituto Nacional de Defensa Civil.

<sup>7/</sup> Updated value of the principal for the issue of Certificates of Recognition of Rights for the Annual Payment of works carried out (CRPAO's).

Source: MEF, Banco de la Nación, ONP, and COFIDE.

Moreover, the main indicators of the debt continued to show favorable trends: the ratio of the domestic debt-to-external debt, the ratio of the debt in domestic currency-to-the debt in foreign currency, and the ratio of the debt at a fixed rate have all increased, in line with the guidelines and objectives of country's debt policy.

### 5.1 External Public Debt

Rising by US\$ 299 million compared to 2010, the external public debt totaled US\$ 20.20 billion (or S/. 54.47 billion in nuevos soles) in 2011. This rise resulted mostly from loans with commercial banks, multilateral agencies, and the Paris Club since there were no placements of global bonds in 2011.

**External disbursements**, which amounted to US\$ 990 million, were mainly oriented to finance several investment projects of the general government (US\$ 616 million) and state enterprises (US\$ 63 million), and to pay off some external debt commitments (US\$ 311 million).

The disbursements to the general government were mainly for the sector of Transport and Communications (US\$ 426 million) to finance major projects, such as the Tren Eléctrico de Lima (US\$ 190 million) and the IIRSA South Interoceanic Corridor between Peru and Brazil (US\$ 184 million). These disbursements were provided mainly by Corporación Andina de Fomento –CAF- (US\$ 374 million) and by Japan International Cooperation Agency –JICA- (US\$ 118 million), among other organizations.

Other disbursements were destined to Sedapal projects (US\$ 63 million), the most important project being the improvement of drinking water and sanitation systems at the Plant of Huachipa (US\$ 30 million).

Moreover, the expendable resources were disbursed by the Kreditanstalt für Wiederaufbau - KfW- (US\$ 161 million) and the Inter American Development Bank - IDB-(US\$ 150 million).

The **amortization of the external debt** totaled US\$ 802 million. The higher payments were the ones made to the IBRD (US\$ 279 million), IDB (US\$ 251 million), and the Paris Club (US\$ 246 million), among others. There was no global bond maturities.

### 5.2 Domestic Debt

The domestic public debt recorded a balance of S/. 48.8 billion. This balance represents an increase of S/. 3.54 billion in the debt, explained mainly by the seasonality of the short-term debt, whose increase (S/. 2.5 billion) reflected the generation of increased floating expenditure<sup>18</sup>. (Explicación en nota al pie)

The balance of sovereign bonds increased by S/. 727 million. Placements for a total of S/. 1.22 billion (including a debt swap for a total of S/. 74 million carried out in February) and debt amortizations for a total of S/. 607 million were recorded in the year. The update of inflation-indexed bonds –VAC bonds– accounts for the difference.

Moreover, the balance of Banco de la Nación loans increased by S/. 661 million, mainly due to increased disbursements for Defense actions (S/. 279 million), military operations at VRAE (S/. 152 million), and the improvement and expansion of the entry to the Terminal of the Port of Callao (S/. 123 million).

### 5.3 Net Debt<sup>19</sup>

The net debt, which amounted to S/. 39.29 billion –equivalent to 8.1 percent of GDP– was S/. 10.62 billion lower than at end 2010. This balance is explained by the higher growth of public financial assets (S/. 12.71 billion) compared to the growth of liabilities (S/. 2.09 billion).

<sup>18</sup> Accrued expenses with payment pending status.

<sup>19</sup> The net public debt is defined as the difference between the public sector liabilities (total public debt) and its financial assets (total deposits in the domestic financial system and abroad).

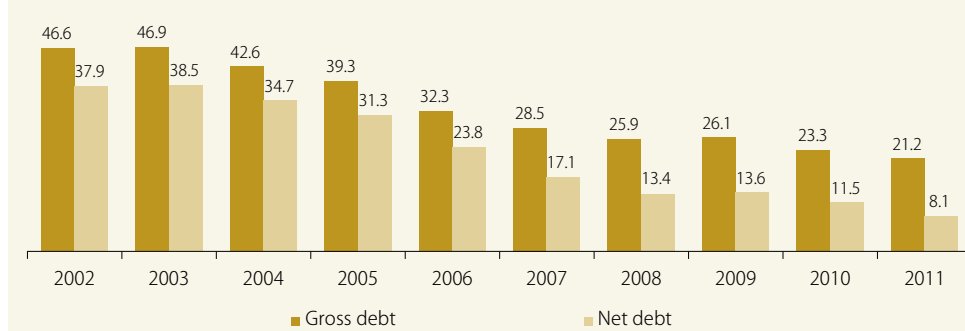


TABLE 58  
NET PUBLIC DEBT

YEAR (December)	Millions of nuevos soles			% of GDP		
	Assets	Liabilities	Net debt	Assets	Liabilities	Net debt
2002	17,406	93,103	75,698	8.7	46.6	37.9
2003	17,846	100,097	82,252	8.4	46.9	38.5
2004	18,808	101,370	82,561	7.9	42.6	34.7
2005	20,792	102,786	81,994	7.9	39.3	31.3
2006	25,435	97,502	72,068	8.4	32.3	23.8
2007	38,157	95,601	57,444	11.4	28.5	17.1
2008	46,481	96,191	49,710	12.5	25.9	13.4
2009 <sup>1/</sup>	47,457	99,619	52,162	12.4	26.1	13.6
2010 <sup>1/</sup>	51,263	101,176	49,913	11.8	23.3	11.5
2011 <sup>1/</sup>	63,975	103,271	39,295	13.1	21.2	8.1

<sup>1/</sup> Preliminary data.  
Source: BCRP and MEF.

GRAPH 65  
GROSS AND NET PUBLIC DEBT  
(% of GDP)



Source: BCRP.

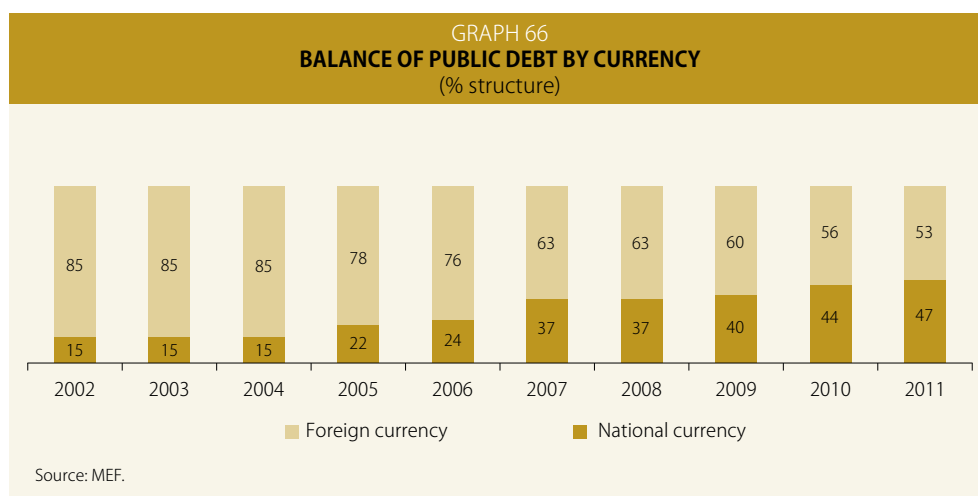
#### 5.4 Debt by Currencies

With the aim of reducing the debt exposure to foreign exchange risks, the share of the debt contracted in new soles was increased in terms of the total debt. Thus, between 2002 and 2011, the share of the debt in domestic currency increased from 15 to 47 percent of the total gross public debt.

TABLE 59  
BALANCE OF PUBLIC DEBT BY CURRENCY  
(Millions of nuevos soles)

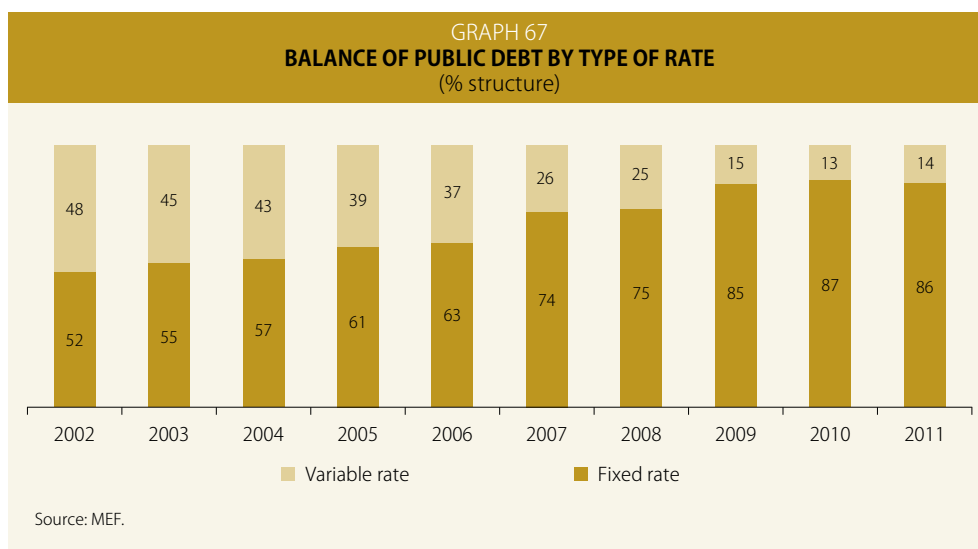
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Foreign currency	79,268	84,959	85,729	80,534	73,615	60,624	60,838	59,876	56,255	54,798
2. National currency	13,835	15,139	15,640	22,252	23,887	34,978	35,353	39,743	44,920	48,472
<b>3. TOTAL</b>	<b>93,103</b>	<b>100,097</b>	<b>101,370</b>	<b>102,786</b>	<b>97,502</b>	<b>95,601</b>	<b>96,191</b>	<b>99,619</b>	<b>101,176</b>	<b>103,271</b>

Source: MEF, Banco de la Nación, ONP, and COFIDE.



### 5.5 Debt by type of interest rate

Likewise, in order to be able to predict more accurately the debt service and to minimize the risks of an increase in global interest rates, the public debt contracted at variable rates has been gradually replaced by debt at fixed rates. As a result of this, the share of public debt at fixed rates has increased from 52 to 86 percent between 2002 and 2011.



### 5.6 Average Debt Life

The **average debt life** has increased from 7 to 13 years between 2002 and 2011. The slight decline observed in 2011 is explained by the increase observed in the short term floating debt (accruals to be paid).

