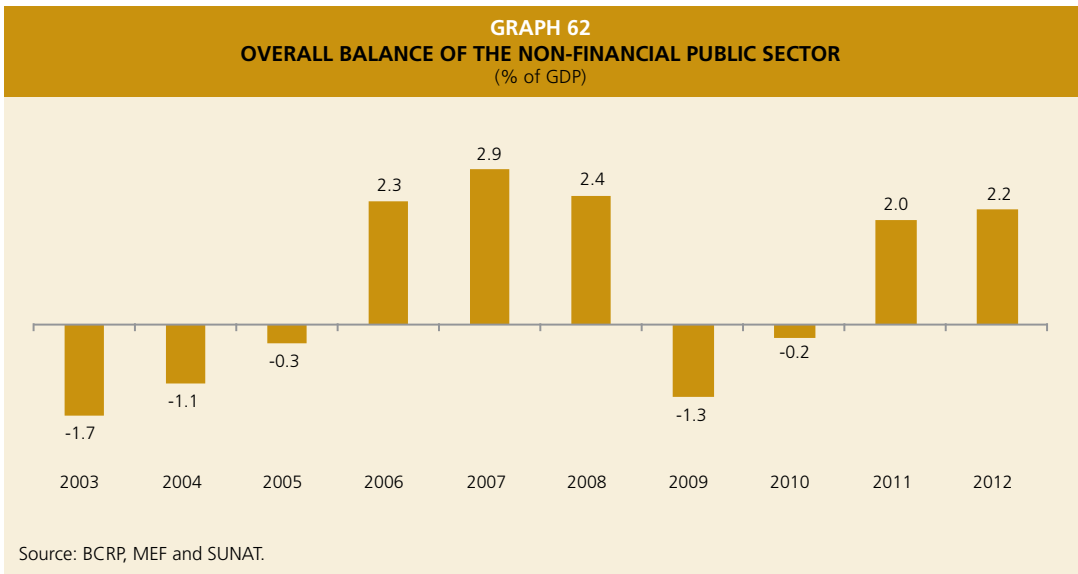




## Public Finances

In 2012, the non-financial public sector (NFPS) maintained a countercyclical position and recorded an economic surplus of 2.2 percent of GDP, a higher balance than in 2011 (2.0 percent of GDP). The operations of the NFPS in the two last years have been favored by the recovery of the level of economic activity, the dynamism of domestic demand, the high prices of export minerals which have had a positive impact on tax revenues, and the moderation of growth in non-financial expenditure.



Showing lower growth rates than in 2010 and 2011 (20.6 and 13.3 percent, respectively), the tax revenue of the general government increased by 7.5 percent in real terms due mainly to the moderation of GDP growth and the reduction of the prices of the main export minerals.

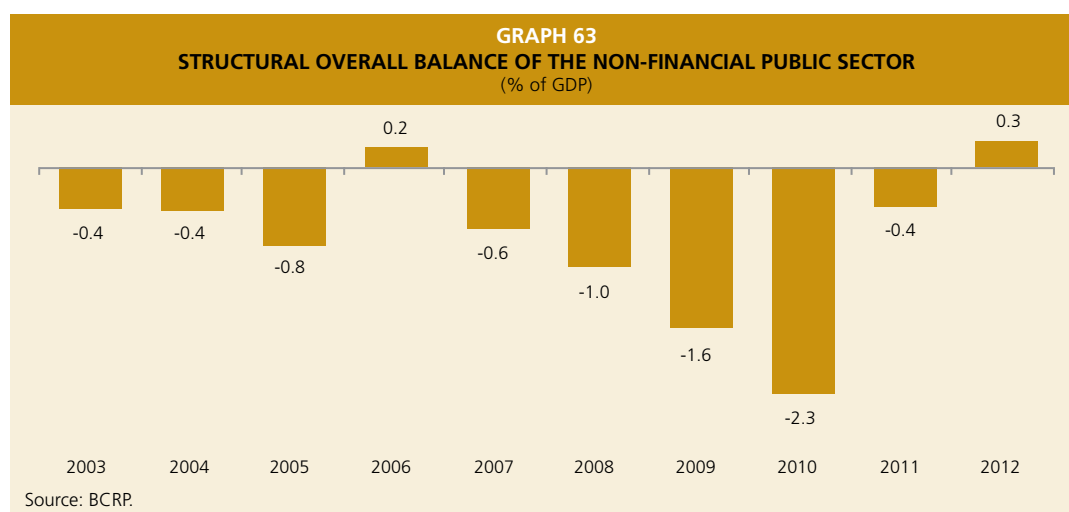


TABLE 46  
OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR

	Millions of nuevos soles			% of GDP		
	2010	2011	2012	2010	2011	2012
<b>I. Primary Balance</b>	<b>4,168</b>	<b>15,116</b>	<b>16,879</b>	<b>1.0</b>	<b>3.1</b>	<b>3.2</b>
<b>1. Of the General Government</b>	<b>4,757</b>	<b>14,869</b>	<b>15,750</b>	<b>1.1</b>	<b>3.1</b>	<b>3.0</b>
a. Current revenue	87,148	102,134	113,528	20.1	21.0	21.6
i. Tax revenue	65,961	77,261	86,097	15.2	15.9	16.4
ii. Non-tax revenue	21,187	24,873	27,431	4.9	5.1	5.2
b. Non-financial expenditure	83,172	87,574	98,045	19.1	18.0	18.6
i. Current	57,104	63,197	68,999	13.1	13.0	13.1
ii. Capital	26,068	24,377	29,046	6.0	5.0	5.5
c. Capital revenue	782	310	267	0.2	0.1	0.1
<b>2. Of Public Enterprises</b>	<b>- 590</b>	<b>247</b>	<b>1,129</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.2</b>
<b>II. Interests</b>	<b>5,083</b>	<b>5,541</b>	<b>5,568</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>
1. External debt	2,927	2,655	2,755	0.7	0.5	0.5
2. Domestic debt	2,156	2,886	2,813	0.5	0.6	0.5
<b>III. Overall Balance (I-II)</b>	<b>- 916</b>	<b>9,575</b>	<b>11,310</b>	<b>-0.2</b>	<b>2.0</b>	<b>2.2</b>
1. Net external financing	-2,077	748	-1,388	-0.5	0.2	-0.3
(Millions of US\$)	-\$ 728	\$ 277	-\$ 531	-0.5	0.2	-0.3
a. Disbursements	\$ 4,261	\$ 990	\$ 948	2.8	0.6	0.5
b. Amortization	\$ 5,184	\$ 831	\$ 1,175	3.4	0.5	0.6
c. Others	\$ 195	\$ 118	-\$ 304	0.1	0.1	-0.2
2. Net domestic financing	2,574	-10,458	-9,948	0.6	-2.2	-1.9
3. Privatization	419	135	26	0.1	0.0	0.0

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

The structural economic balance, indicator obtained isolating the effects of the economic cycle and of fluctuations in the prices of mining and hydrocarbons exports on the economic result, showed a positive balance of 0.3 percent of GDP in 2012.



The fiscal surplus exceeded the resources required for the amortization of the public debt (S/. 4.34 billion). Furthermore, given that the external disbursements received amounted to S/. 2.52 billion, that sovereign bonds were issued for a total of S/. 3.03 billion, and that revenue from privatization processes amounted to S/. 26 million, the balance was a surplus equivalent to S/. 12.55 billion, which was mainly used to increase public sector deposits.

TABLE 47 FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR						
	Millions of nuevos soles			% of GDP		
	2010	2011	2012	2010	2011	2012
<b>1. Overall balance</b>	<b>-916</b>	<b>9,575</b>	<b>11,310</b>	<b>-0.2</b>	<b>2.0</b>	<b>2.2</b>
<b>2. Amortization</b>	<b>-17,721</b>	<b>-3,634</b>	<b>-4,342</b>	<b>-4.1</b>	<b>-0.7</b>	<b>-0.8</b>
Redemption of recognition bonds	-742	-530	-509	-0.2	-0.1	-0.1
Domestic debt	-2,313	-813	-729	-0.5	-0.2	-0.1
External debt	-14,667	-2,291	-3,105	-3.4	-0.5	-0.6
<b>3. Financial requirements</b>	<b>18,637</b>	<b>-5,941</b>	<b>-6,968</b>	<b>4.3</b>	<b>-1.2</b>	<b>-1.3</b>
External disbursements	12,039	2,717	2,520	2.8	0.6	0.5
Freely disposable funds	10,001	851	1,644	2.3	0.2	0.3
Investment projects	2,038	1,866	875	0.5	0.4	0.2
Domestic bonds	9,765	1,266	3,033	2.2	0.3	0.6
Privatization	419	135	26	0.1	0.0	0.0
Others	-3,586	-10,060	-12,546	-0.8	-2.1	-2.4

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

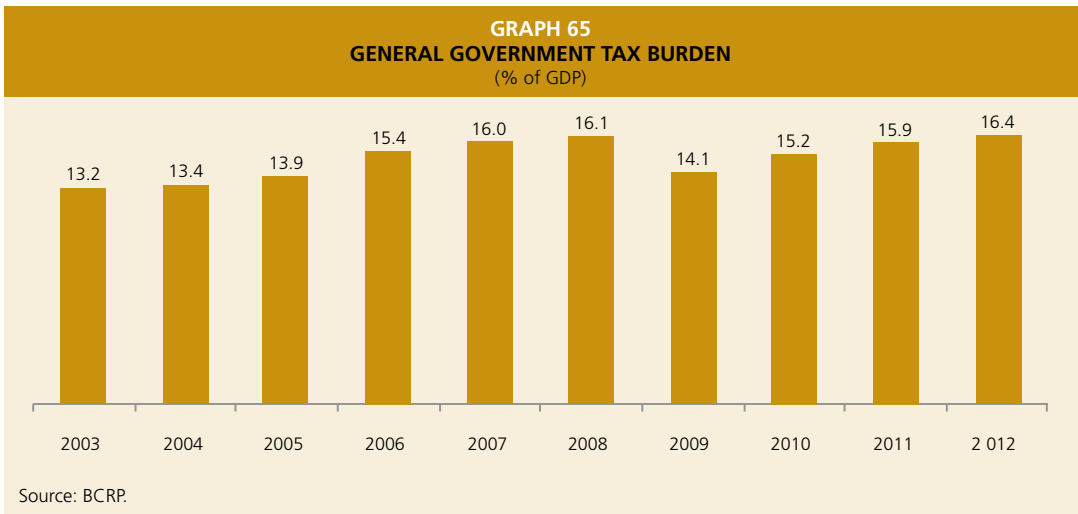
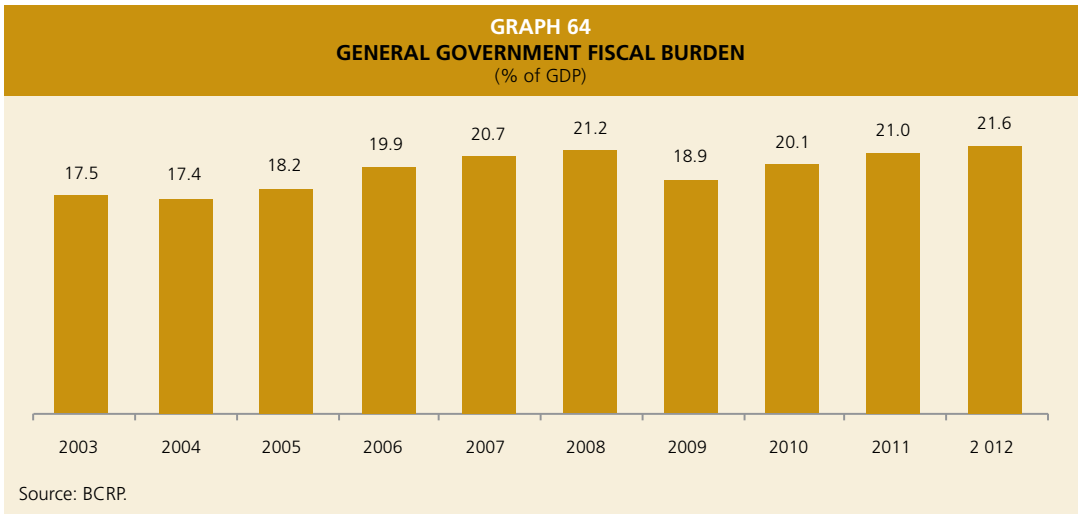
## 1. Revenue of the General Government

The current revenue of the general government which amounted to 21.6 percent of GDP was 0.6 percentage points of GDP higher than in 2011, which represents a real growth of 7.2 percent. Despite the decline in the prices of our exports, this increase in revenue was observed both in the tax and non-tax revenues of the Government reflecting the performance of the country's economic activity.



<b>TABLE 48</b> <b>FISCAL REVENUE RATIOS</b> (% of GDP)			
	2010	2011	2012
Central government tax burden 1/	14.8	15.5	16.0
Central government fiscal burden 2/	17.2	18.1	18.5
Fiscal burden of the general government 3/	20.1	21.0	21.6
1/ Central government tax revenues as % of GDP. 2/ Current revenues of the central government as a ratio of GDP. 3/ Current revenues of the general government as a ratio of GDP. Source: MEF, Banco de la Nación, BCRP, and SUNAT.			

<b>TABLE 49</b> <b>GENERAL GOVERNMENT REVENUES</b>								
	Millions of nuevos soles			Real % change		% of GDP		
	2010	2011	2012	2011	2012	2010	2011	2012
<b>I. TAX REVENUE</b>	<b>65,961</b>	<b>77,261</b>	<b>86,097</b>	<b>13.3</b>	<b>7.5</b>	<b>15.2</b>	<b>15.9</b>	<b>16.4</b>
1. Income tax	25,802	33,628	37,278	26.1	6.9	5.9	6.9	7.1
- Individuals	6,285	7,931	9,070	22.1	10.3	1.4	1.6	1.7
- Legal entities	16,428	21,432	23,429	26.2	5.5	3.8	4.4	4.5
- Tax regularization	3,089	4,265	4,779	33.9	7.7	0.7	0.9	0.9
2. Import duties	1,803	1,380	1,526	-25.9	6.7	0.4	0.3	0.3
3. Value-added tax (VAT)	35,536	40,424	44,042	10.1	5.1	8.2	8.3	8.4
- Domestic VAT	19,629	22,029	24,543	8.6	7.5	4.5	4.5	4.7
- VAT on imports	15,908	18,395	19,499	11.9	2.3	3.7	3.8	3.7
4. Excise tax	4,668	4,718	4,918	-2.2	0.5	1.1	1.0	0.9
- Fuels	2,410	2,231	2,149	-10.4	-7.2	0.6	0.5	0.4
- Others	2,258	2,487	2,769	6.6	7.4	0.5	0.5	0.5
5. Otther income tax	6,098	6,818	8,920	8.2	26.2	1.4	1.4	1.7
- National government	4,600	5,098	6,902	7.1	30.7	1.1	1.0	1.3
- Local government	1,498	1,720	2,018	11.2	13.1	0.3	0.4	0.4
6. Tax returns	-7,947	-9,707	-10,587	18.2	5.2	-1.8	-2.0	-2.0
<b>II. NON-TAX REVENUES</b>	<b>21,187</b>	<b>24,873</b>	<b>27,431</b>	<b>13.6</b>	<b>6.4</b>	<b>4.9</b>	<b>5.1</b>	<b>5.2</b>
Contributions to Essalud and ONP	7,967	9,071	10,281	10.1	9.3	1.8	1.9	2.0
Own resources and transfers 1/	2,523	3,756	2,850	44.0	-26.8	0.6	0.8	0.5
Oil Canon 2/	1,840	2,673	2,910	40.5	5.0	0.4	0.5	0.6
Others 3/	8,858	9,373	11,391	2.4	17.2	2.0	1.9	2.2
<b>III. TOTAL</b>	<b>87,148</b>	<b>102,134</b>	<b>113,528</b>	<b>13.4</b>	<b>7.2</b>	<b>20.1</b>	<b>21.0</b>	<b>21.6</b>
1/ Compensation for the use of state property. 2/ Percentage of value of production for the right to exploit natural resources redistributed to the regions. 3/ Includes own resources, current transfers, interests, transferens of profits from Banco de la Nación, and BCRP. Source: SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.								



Revenues from the income tax rose from 6.9 to 7.1 percent in GDP terms due to higher payments from the sector of services (real growth of 19.0 percent) and from the sectors of trade and hydrocarbons (real growth of 13.7 and 18.4 percent, respectively). Conversely, the revenue from the mining sector was lower given that the international prices of our main export products were below those registered in 2011 during much of the year.

In 2012, except for revenues from the second category income tax, the revenues from other income tax categories showed nominal increases. The major contributions came from income tax - third category (S/.1.42 billion) and income tax – fifth category (S/. 1.18 billion).



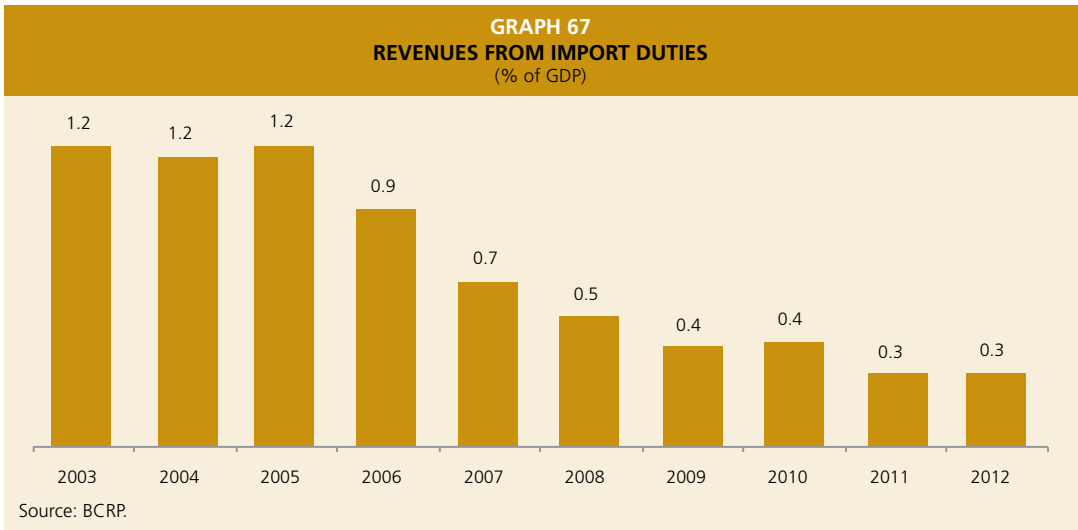
**TABLE 50**  
**REVENUES FROM CORPORATE TAX BY SECTORS**  
(Millions of nuevos soles)

	2010	2011	2012	Real % change	
				2011	2012
Services 1/	5,377	6,585	8,131	18.5	19.0
Mining	5,618	7,764	6,456	33.8	-19.8
Commerce	2,267	2,909	3,430	24.2	13.7
Manufacturing	2,307	2,938	3,267	23.1	7.3
Hydrocarbons	1,056	1,835	2,253	68.1	18.4
Construction	715	1,050	1,385	42.2	27.2
Agriculture and livestock	44	92	76	102.5	-20.5
Fishing	124	134	143	4.3	2.9
<b>Total</b>	<b>17,507</b>	<b>23,308</b>	<b>25,141</b>	<b>28.8</b>	<b>4.0</b>

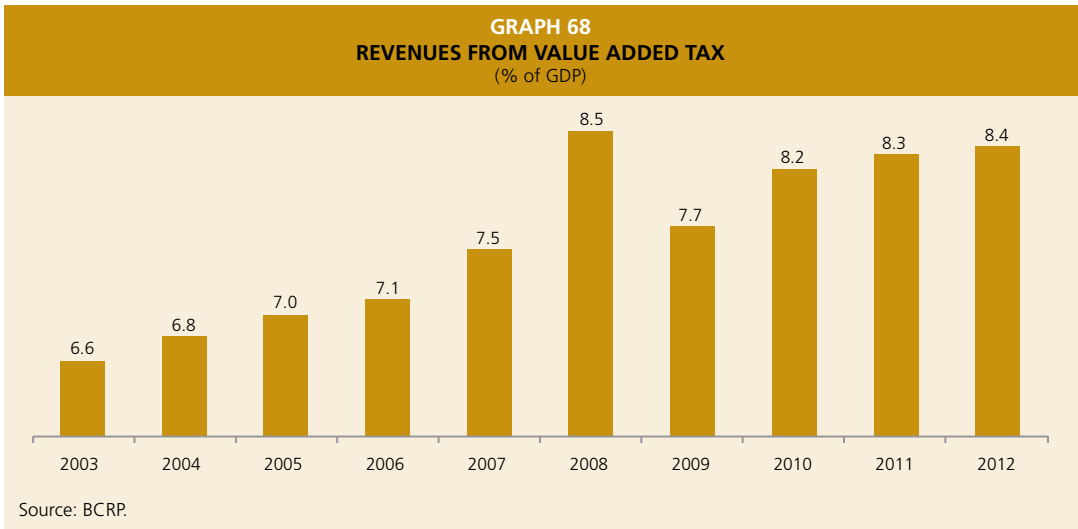
1/ Includes activities in real estate, business, leasing, telecommunications, financial intermediation, health, social services, tourism and hotels, electric generation, and water services.  
Source: SUNAT.

The revenues from personal income tax recorded a real growth of 10.3 percent, while the income tax on legal entities grew 5.5 percent. The increase in the former was mainly associated with the growth of formal employment, while the increase in the latter was mainly associated with the increased revenues from the sector of services, this being the category which has gained greater participation within third category payments in the last year.

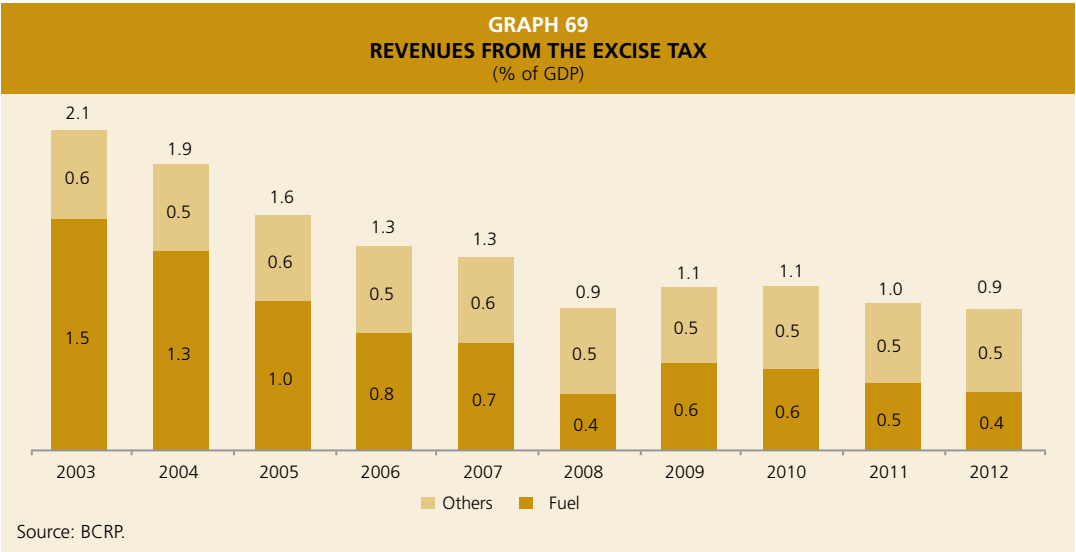
On the other hand, the revenue from imports duties grew by a real 6.7 percent, maintaining a ratio of 0.3 percent in GDP terms. This growth is explained by increased imports, especially of consumer goods, which are levied with higher tariff rates.



Revenues from the value added tax (VAT) registered a growth of 5.1 percent in real terms and increased by 0.1 percent in GDP terms (from 8.3 to 8.4 percent of GDP). This result is explained by the growth of the domestic VAT, which reflects the dynamism of domestic demand.



On the other hand, the revenues from the excise tax (ISC) grew 0.5 percent in real terms –and declined from 1.0 percent to 0.9 percent in GDP terms– as a result of the reduction of the excise tax on fuels implemented in 2011. In January the weighted average of the excise tax on fuels declined from S/. 1.04 to S/. 1.02 per gallon and in June it dropped to S/. 0.87 per gallon. Thus, the revenues from the excise tax are explained mainly by revenues obtained from other goods levied by this tax, the increase in the excise tax on beer standing out.



Revenues from other taxes grew from 1.4 to 1.7 percent of GDP, which represents a rate of 26.2 percent in real terms. This growth is explained by an increase in most of their components, especially transfers of tax withholdings (S/. 1.17 billion) as a result of the greater number of taxpayers that have adopted this system to pay the VAT. In addition, higher revenues from fines were recorded (S/. 1.03 billion), and increased revenues were also obtained from the Special Tax on Mining (S/. 442 million) in the frame of the new tax framework established for the mining sector.

The tax rebates, which grew by a real 5.2 percent, were equivalent to 2.0 percent of GDP. Although higher tax refunds were observed due to the early VAT payment regime, these higher refunds were offset by lower tax rebates for exports. It is worth mentioning that the early VAT payment regime benefits companies that are in the pre-operational stage and have acquired goods or equipments for the implementation of investment projects.

The non-tax revenues increased by a real 6.4 percent due to the Special Levy on Mining established as part of the new tax scheme for mining activities and contributed with revenues amounting to S/. 942 million. Moreover, increased revenues from EsSalud and ONP were also observed as a result of the growth of formal employment and the increase in average salary.

## 2. General Government Expenditure

The non-financial expenditure of the general government was equivalent to 18.6 percent of GDP, a ratio 0.6 percentage points higher than in 2011, which is explained by higher expenses in the implementation of investment projects (up from 4.7 to 5.2 percent of GDP).

By government levels, the non-financial expenditure of the national government was equivalent to 10.6 percent of GDP while the non-financial expenditure of the subnational governments was equivalent to 8.1 percent of GDP.

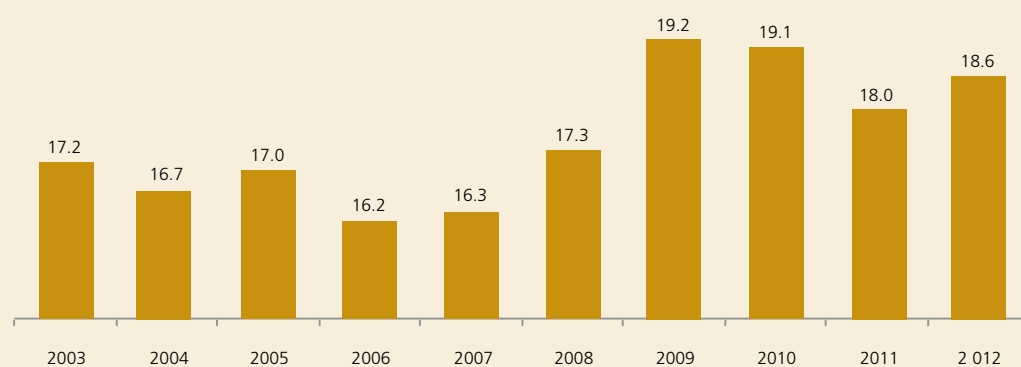


**TABLE 51**  
**GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE 1/**

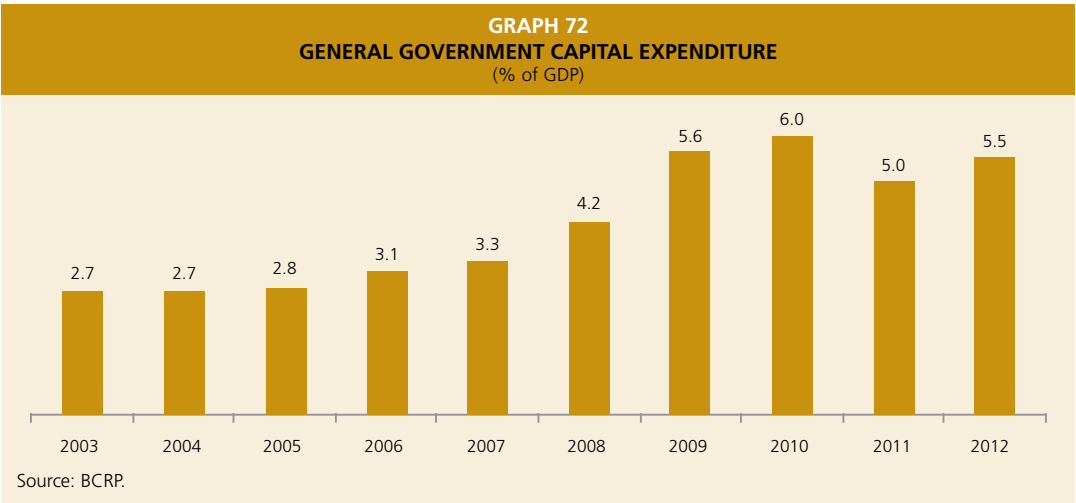
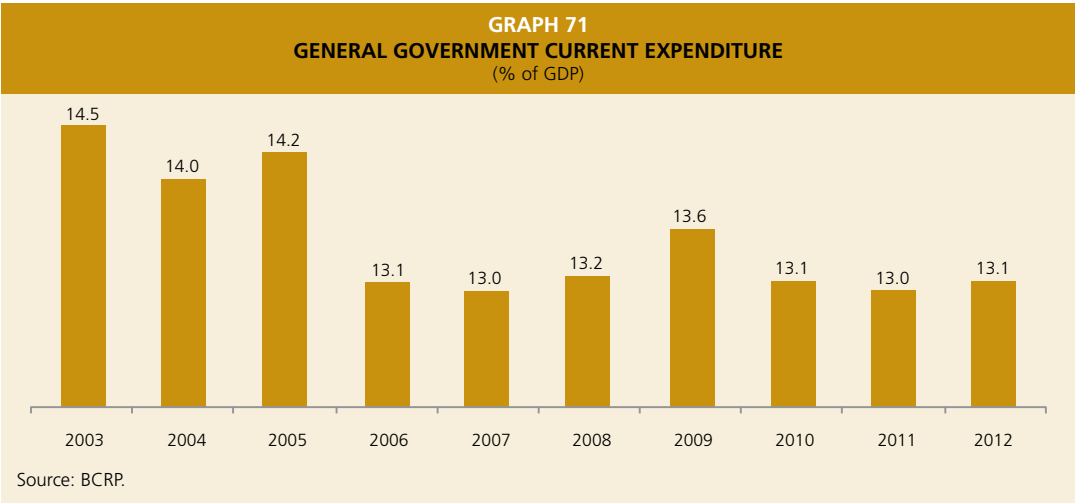
	Millions of nuevos soles			% of GDP		
	2010	2011	2012	2010	2011	2012
<b>I. CURRENT EXPENDITURE</b>	<b>57,104</b>	<b>63,197</b>	<b>68,999</b>	<b>13.1</b>	<b>13.0</b>	<b>13.1</b>
<b>Wages and salaries</b>	<b>20,801</b>	<b>22,843</b>	<b>25,270</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>
National government	12,157	13,364	15,229	2.8	2.7	2.9
Regional governments	6,802	7,533	8,250	1.6	1.5	1.6
Local governments	1,843	1,945	1,792	0.4	0.4	0.3
<b>Goods and services</b>	<b>22,295</b>	<b>23,888</b>	<b>28,457</b>	<b>5.1</b>	<b>4.9</b>	<b>5.4</b>
National government	15,804	16,612	18,557	3.6	3.4	3.5
Regional governments	1,997	2,305	3,311	0.5	0.5	0.6
Local governments	4,493	4,971	6,590	1.0	1.0	1.3
<b>Transfers</b>	<b>14,008</b>	<b>16,466</b>	<b>15,272</b>	<b>3.2</b>	<b>3.4</b>	<b>2.9</b>
National government	11,081	13,353	11,949	2.5	2.7	2.3
Regional governments	1,978	2,083	2,108	0.5	0.4	0.4
Local governments	949	1,030	1,214	0.2	0.2	0.2
<b>II. CAPITAL EXPENDITURE</b>	<b>26,068</b>	<b>24,377</b>	<b>29,046</b>	<b>6.0</b>	<b>5.0</b>	<b>5.5</b>
<b>Gross Capital Formation</b>	<b>23,978</b>	<b>22,828</b>	<b>27,345</b>	<b>5.5</b>	<b>4.7</b>	<b>5.2</b>
National government	9,030	9,666	8,386	2.1	2.0	1.6
Regional governments	4,951	4,664	6,690	1.1	1.0	1.3
Local governments	9,997	8,498	12,269	2.3	1.7	2.3
<b>Other capital expenditure</b>	<b>2,091</b>	<b>1,549</b>	<b>1,701</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>
<b>III. NON FINANCIAL EXPENDITURE (I + II)</b>	<b>83,172</b>	<b>87,574</b>	<b>98,045</b>	<b>19.1</b>	<b>18.0</b>	<b>18.6</b>
National government	49,921	54,245	55,581	11.5	11.2	10.6
Regional governments	15,854	16,646	20,421	3.6	3.4	3.9
Local governments	17,397	16,684	22,043	4.0	3.4	4.2

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

**GRAPH 70**  
**GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE**  
(% of GDP)



Source: BCRP.



**National Government**

The non-financial expenditure of the national government was equivalent to 10.6 percent of GDP, 1.2 percent lower than in 2011 in real terms. This lower balance is mainly explained by the reduction in current transfers (13.7 percent in real terms) and by lower gross capital formation (16.3 percent in real terms).

Expenditure in wages and salaries grew by a real 9.9 percent compared to 2011. Among other factors, this growth is explained by payments to police officers working overtime during their days off (Emergency Decree 047-2011), as well as by the higher salary levels applicable to the armed forces and Policía Nacional del Perú since December 2012 as part of a new salary structure. In addition to this, the spending in salaries also increased due to the new positions opened in the Judiciary system to implement the new Criminal Code and due to the additional payment paid to teachers incorporated in the public teaching career.

Spending on goods and services amounted to 3.5 percent of GDP, which represents an increase of 7.7 percent in real terms.

Expenditure for current transfers declined from 2.7 percent of GDP in 2011 to 2.3 percent of GDP in 2012 (-13.7 percent in real terms) due mainly to lower accrued expenses of the Fuel Price Stabilization Fund (FPSF).

Transfers worth pointing out included the ones made to Programa Juntos, the program promoting Mype markets, Program Pensión 65, and comprehensive care of young children in the Wawa Wasis.

Capital expenditure decreased by 13.0 percent in real terms, from 2.3 percent of GDP in 2011 to 1.9 percent in 2012, due mainly to the fall in gross capital formation (16.3 percent), which was offset by the increase in other capital expenditure (12.6 percent).

Expenditure in gross capital formation was concentrated in the following sectors: transport (S/. 5.12 billion) in road rehabilitation and improvement; education (S/. 902 million), improvement of infrastructure and quality education; health (S/. 494 million), improvement and equipment of hospital emergency services; agriculture (S/. 424 million), improvement of irrigation infrastructure and preservation of natural resources, and electricity (S/. 281 million), installation of small electrical systems in different villages.

The national government's major investment projects included the works of roads IIRSA South and IIRSA North (S/. 1.37 billion), the Electric Train project (S/. 1.28 billion), the Ayacucho-Abancay highway (S/. 385 million), and the Chongoyape-Cochabamba-Cajamarca highway (S/. 373 million). These four projects, which account for 12 percent of the national government's total investment in 2012, are part of the Transport Sector.



**TABLE 52**  
**MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT**  
(Millions of nuevos soles)

ECONOMIC SECTOR	2011	2012	Flow
<b>TRANSPORT</b>	<b>6,103</b>	<b>5,122</b>	<b>-981</b>
Road Concessions-IIRSA South and North	1,881	1,374	-507
Special Project Tren Eléctrico	1,160	1,284	124
Rehabilitation and improvement of the Ayacucho - Abancay highway	273	385	112
Rehabilitation and improvement of the Chongoyape - Cochabamba - Cajamarca highway	467	373	-94
Rehabilitation and improvement of the Quinua-San Francisco highway	210	198	-13
Rehabilitation and improvement of the Lima Canta - La Viuda - Unish highway	0	181	181
Rehabilitation and improvement of the Chamaya - Jaen - San Ignacio - Río Canchis highway	26	174	148
Rehabilitation and improvement of the Juanjui Tocache highway	0	149	149
Rehabilitation and improvement of the Cajamarca Celendin Balzas highway	21	125	104
Rehabilitation of the rural road network and bridge	200	109	-91
Rehabilitation of the Chanchamayo-Villa Rica highway	59	79	20
Rehabilitation and improvement of the Ollantytambo - Quillabamba highway	0	74	74
Airport concessions	885	64	-821
Rehabilitation and improvement of the Shiran Huamachuco highway	34	54	20
Improvement and expansion of the entrance to Callao port terminal entrance	123	30	-94
Rehabilitation and improvement of the Patahuasi - Yauri-Sicuani highway	48	26	-22
Construction and improvement of the Camaná-DV-Quilca-Matarani-Ilo-Tacna highway	103	15	-88
Port concessions	3	5	2
Rehabilitation and improvement of the Casma - Yaután - Huaraz highway	69	1	-68
Construction of by-pass Ramiro Priale	31	1	-30
Rehabilitation and improvement of the Tingo Maria-Aguaytia-Pucallpa highway	45	1	-44
Construction and improvement of the Cusco - Quillabamba highway	96	0	-96
Others	367	419	51
<b>HEALTH</b>	<b>533</b>	<b>494</b>	<b>-39</b>
Improvement and equipment of hospitals emergency services	513	460	-52
Support to Health Sector Reform PAR-Salud	1	2	0
Others	19	32	13
<b>ELECTRICITY</b>	<b>394</b>	<b>281</b>	<b>-113</b>
Installation of small power systems in several towns	387	266	-121
Others	8	16	8
<b>AGRICULTURE AND LIVESTOCK</b>	<b>342</b>	<b>424</b>	<b>83</b>
Support agriculture	151	112	-39
Irrigation infrastructure	62	131	69
Eradication of fruit fly Ceratitis capitata from the coast of Peru	36	63	27
Others	93	119	26
<b>HOUSING</b>	<b>189</b>	<b>193</b>	<b>4</b>
Housing sector support	26	3	-24
National Rural Water Supply and Sanitation project	125	98	-27
Rights of real property	22	5	-17
Others	17	88	71
<b>ECONOMY</b>	<b>116</b>	<b>136</b>	<b>20</b>
Support for government reform and improving the customs system	48	58	10
Improvement of management taxpayers	61	39	-22
Others	8	40	32
<b>JUSTICE</b>	<b>93</b>	<b>204</b>	<b>110</b>
Improvement of administration of justice	82	169	87
Others	11	35	24
<b>EDUCATION</b>	<b>1,150</b>	<b>902</b>	<b>-248</b>
Improvement of education infrastructure	1,085	863	-222
Others	64	39	-25
<b>OTHERS</b>	<b>745</b>	<b>630</b>	<b>-115</b>
<b>TOTAL</b>	<b>9,666</b>	<b>8,386</b>	<b>-1,280</b>

Source: MEF.

Regional and Local Governments

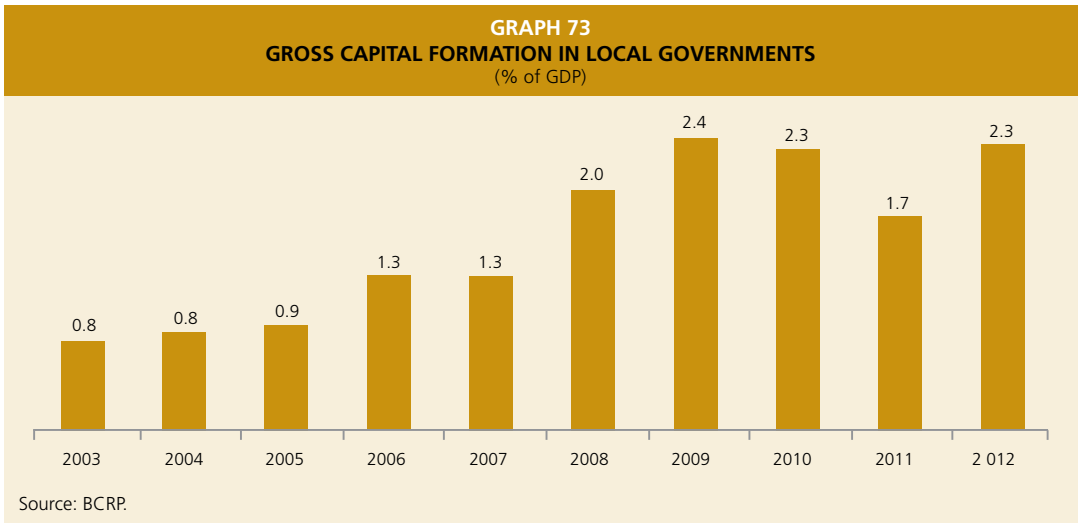
The non-financial expenditure of the regional governments increased by 18.5 percent in real terms and from 3.4 to 3.9 percent in GDP terms. The acquisition of goods and services (38.9 percent) and salaries (5.7 percent) standing out in terms of the highest expenditure increases observed in real terms.

On the other hand, the non-financial expenditure of local governments recorded a real increase of 28.0 percent relative to 2011, which reflects the greater dynamism of the new municipal administrations in the implementation of investment projects. Current expenditure also showed a growth of 16.5 percent in real terms in the year.

Among the several investment projects carried out, it is worth pointing out those executed by the Municipality of Lima, which include the improvement of the Costa Verde boardwalk (S/. 41 million) and the road geometry of the Costa Verde beach areas (S/. 46 million), as well as the expansion and remodeling of the Gran Mercado Mayorista de Santa Anita (S/. 26 million).

The implementation of projects aimed at improving and expanding the distribution and storage systems of drinking water also stands out. Among the most important, it is worth highlighting the projects developed by the Municipality of Pacasmayo (La Libertad) to improve the drinking water storage and distribution subsystems (S/. 29 million) and the ones carried out by the Municipality of Tumbes (Tumbes) in terms of expanding and improving water and sanitation systems (S/. 24 million).

The sub-national governments that made the largest investments were the Municipality of Metropolitan Lima (S/. 368 million), the District Municipality of Echarate in Cusco (S/. 251 million), the District Municipality of Mariscal Nieto in Moquegua (S/. 104 million), the Provincial Municipality of Cajamarca (S/. 100 million), and the Provincial Municipality of Santa in Ancash (S/. 96 million). These five local governments concentrated 7 percent of total municipal investment (S/. 12.27 billion).





3. State Enterprises

The State-owned enterprises showed a positive economic balance with a surplus of S/. 1.02 billion. This balance, which is higher by S/. 885 million than the one registered in 2011, is explained mainly by the surpluses recorded by the regional electricity companies, Sedapal and Electroperu.

The regional electricity companies recorded an overall surplus of S/. 288 million, a balance S/. 123 million higher than the one registered in 2011, due mainly to the higher revenues obtained from these companies’ sale of energy.

Electroperu recorded a cash surplus of S/. 186 million. This balance, which is higher by S/. 99 million than the one observed in 2011, is explained in part by lower tax payments and lower transfers to the Fonahpu, as well as by higher revenues from sales of goods and services since Electroperú has become a greater supplier of energy for electricity distribution companies and free clients.

Sedapal showed a surplus of S/. 349 million, a higher balance than in 2011 (S/. 13 million). This balance reflects not only lower purchases of goods and services, but also the increase in water rates during the year and the larger volume of water invoiced in 2012 (472 million cubic meters vs. 447 million cubic meters in 2011). In addition to this, Sedapal recorded a lower execution of its investment projects Mejoramiento Sanitario de las áreas Marginales de Lima (PROMESAL) and Agua para Todos and received higher capital transfers, both from the Ministry of Housing and from the Fonafe (Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado).

On the other hand, contrasting with the deficit of S/. 174 million it registered in the previous year, in 2012 Petroperu showed a surplus of S/. 96 million as a result of the higher revenues obtained thanks to the improvement of sale prices.

TABLE 53 OVERALL BALANCE OF STATE ENTERPRISES						
	Millions of nuevos soles			% of GDP		
	2010	2011	2012	2010	2011	2012
Petroperú	- 255	- 174	96	-0.1	0.0	0.0
Electroperú	- 391	99	186	-0.1	0.0	0.0
Regional Electricity Companies	34	165	288	0.0	0.0	0.1
Sedapal	- 233	13	349	-0.1	0.0	0.1
Others	163	31	100	0.0	0.0	0.0
TOTAL	- 683	134	1,018	-0.2	0.0	0.2
Source: State enterprises and FONAFE.						

4. Promotion of Private Investment

A total of US\$ 909 million was obtained from investment commitments for concession contracts and revenues of privatization processes. Committed investment for concessions in the sectors of telecommunications, transport, tourism and electricity amounted to US\$ 889 million, while revenues for the privatization of real estate and agro-industrial enterprises amounted to US\$ 20 million.

Among others, the following concession contracts are worth pointing out:

- 1. The use of the 899-915 MHz and 944-960 MHz bands in Lima and Callao and the use of 902-915 MHz and 947-960 MHz bands in the rest of the country were awarded to Viettel Peru S.A.C. for a total investment of US\$ 343 million.
- 2. The sections of Panamericana Sur: Ica-Peruvian border with Chile (sections Quilca-Arequipa, Moquegua-Matarani and Ilo-Tacna-La Concordia) were awarded to Consortium Concesión Vial del Sur for an investment of US\$ 196 million.
- 3. Lot E Chaco - La Puntilla was awarded to Consortium Ocean Planet, Inmobiliaria CVC and Porta do Sur for an investment of US\$ 188 million.

TABLE 54 PRIVATIZATIONS AND CONCESSIONS 2012 (Millions of US\$)			
SALE OF STOCKS, ASSETS AND CONCESSIONS	DATE	AWARDED TO	TRANSACTION OR INVESTMENT
Cold reserve power plants of Pucallpa and Puerto Maldonado 1/	10 may	Consortio Energías del Perú	55,0
Empresa Agroindustrial Tután S.A.A.	18 may	The company was sold to 1424 workers of Empresa Tután	2,4
Empresa Agroindustrial Pomalca S.A.A.	28 may	SAB Cartisa S.A.	17,1
899-915 MHz and 944-960 MHz Bands in Lima and Callao 902-915 MHz and 947-960 MHz Bands in the rest of country 2/	Augusto 14	Viettel Perú S.A.C.	343,0
Panamericana Sur: Ica - Frontera con Chile (Tranche Dv. Quilca – Dv. Arequipa; Dv. Matarani – Dv. Moquegua; Dv. Ilo – Tacna – La Concordia) 3/	16 agosto	Consortium Concesión Vial del Sur	196,0
Carhuaquero - Cajamarca - Norte - Cáclic - Moyobamba Transmission Line (220 KV).	22 november	Cobra Instalaciones y Servicios S.A.	106,9
Sale of PRF's real estate ("Parque Unión" y "Fundo SAMAR") 4/	29 november	Several bidders and Asociación de Moradores de Asentamiento Humano in Fundo Samar	0,3
Chaco La Puntilla Lot E 5/	12 december	Consortio Ocean Planet, Inmobiliaria CVC and Porta do Sur	187,7
TOTAL			908,5
1/ The contract was awarded to Consortio Energías del Perú, which offered the lowest price/power in both power plants: Plant Pucallpa: 9,147 US\$ / MW - month and Plant Puerto Maldonado: 11,070 US\$ / MW - month. 2/ The amount includes the allowance of free access to wide band internet for 718 beneficiary organizations (schools, health care centers, and municipalities) during 10 years. The contractor will cover the wide band maintenance costs. 3/ US\$ 196 million will be invested in works and US\$ 200 million in maintenance during the 25-year concession. The 430 Km long highway will extend from the stretch to Quilca (Arequipa) to La Concordia (Border with Chile). This project will contribute to improve the exporting competitiveness of the products of "Macro Región Sur". 4/ 14.6 hectare real estate project located in Yarinacocha, Province of Coronel Portillo (Ucayali). 5/ The project will consist of a modern wharf with other first-class related services and a 120 meter-long pier. Fuente: Proinversión.			



## 5. Public Debt

In 2012 the debt of the non-financial public sector (NFPS) amounted to S/. 103.83 billion. This debt amount, which is equivalent to 19.7 percent of GDP, is lower by S/. 31 million than the debt recorded in 2011.

The main debt indicators continued showing a favorable trend: a greater proportion of the debt is domestic debt, a greater part of the debt is in domestic currency and has been established at a fixed rate, all of which has contributed to reduce market risks.

TABLE 55 PUBLIC DEBT BALANCE 1/						
	Millions of nuevos soles			% of GDP		
	2010	2011	2012	2010	2011	2012
<b>PUBLIC DEBT</b>	<b>102,150</b>	<b>103,856</b>	<b>103,825</b>	<b>23.5</b>	<b>21.4</b>	<b>19.7</b>
<b>I. EXTERNAL PUBLIC DEBT</b>	<b>55,233</b>	<b>53,514</b>	<b>49,900</b>	<b>12.7</b>	<b>11.0</b>	<b>9.5</b>
Loans	29,086	28,444	25,649	6.7	5.8	4.9
International organizations	21,826	21,227	19,369	5.0	4.4	3.7
Paris Club	7,126	7,119	6,189	1.6	1.5	1.2
Suppliers	111	81	67	0.0	0.0	0.0
International banks	2	0	12	0.0	0.0	0.0
Latin America	22	17	12	0.0	0.0	0.0
Other bilateral organizations	0	0	0	0.0	0.0	0.0
Global bonds	26,147	25,071	24,251	6.0	5.2	4.6
<b>II. DOMESTIC PUBLIC DEBT</b>	<b>46,917</b>	<b>50,341</b>	<b>53,925</b>	<b>10.8</b>	<b>10.4</b>	<b>10.3</b>
<b>1. LONG TERM</b>	<b>41,553</b>	<b>42,469</b>	<b>45,116</b>	<b>9.6</b>	<b>8.7</b>	<b>8.6</b>
Bank loans	2,685	3,284	3,406	0.6	0.7	0.6
Treasury bonds	38,768	39,133	41,705	8.9	8.0	7.9
1. Bonds to support the financial system	342	328	311	0.1	0.1	0.1
2. Debt swap bonds	1,950	1,890	1,746	0.4	0.4	0.3
3. Sovereign bonds	28,512	29,239	32,244	6.6	6.0	6.1
4. Recognition bonds	7,965	7,676	7,405	1.8	1.6	1.4
Municipality of Lima Bonds	100	52	5	0.0	0.0	0.0
<b>2. SHORT TERM</b>	<b>5,364</b>	<b>7,872</b>	<b>8,809</b>	<b>1.2</b>	<b>1.6</b>	<b>1.7</b>
Memo:						
Liabilities of Private-Public Partnerships	4,547	4,340	3,968	1.0	0.9	0.8
FEPC	280	240	214	0.1	0.0	0.0
External debt from COFIDE	681	955	2,135	0.2	0.2	0.4
<b>Bond holdings</b>	<b>54,659</b>	<b>54,310</b>	<b>56,495</b>	<b>12.6</b>	<b>11.2</b>	<b>10.7</b>
Residents	20,001	18,379	16,758	4.6	3.8	3.2
Non residents	34,658	35,931	39,737	8.0	7.4	7.6
<b>Sovereign bonds</b>	<b>28,512</b>	<b>29,239</b>	<b>32,244</b>	<b>6.6</b>	<b>6.0</b>	<b>6.1</b>
Residents	16,397	16,139	14,371	3.8	3.3	2.7
Non residents	12,115	13,100	17,873	2.8	2.7	3.4
<b>Global bonds</b>	<b>26,147</b>	<b>25,071</b>	<b>24,251</b>	<b>6.0</b>	<b>5.2</b>	<b>4.6</b>
Residents	3,605	2,240	2,387	0.8	0.5	0.5
Non residents	22,542	22,831	21,864	5.2	4.7	4.2

1/ Includes national government debt, regional and locals, public enterprises (since 2010). Excludes debt from COFIDE, Banco de la Nación and BCRP.  
Source: MEF, Banco de la Nación, MTC, ONP and COFIDE.



## 5.1 Public External Debt

In 2012, the external debt of the NFPS, which amounted to US\$ 19.57 billion (figure equivalent to S/. 49.90 billion), was US\$ 285 million lower than in 2011. This decline in the debt is explained mainly by the decrease of liabilities with international agencies (US\$ 279 million) and with the Paris Club (US\$ 214 million).

The external disbursements made during the year amounted to US\$ 948 million and included the issuance of the 2050 Global Bond (US\$ 500 million), as well as disbursements made to finance several investment projects of the general government (US\$ 317 million) and state enterprises (US\$ 16 million) and pay foreign debt obligations (US\$ 115 million).

On the other hand, the disbursements made to the general government corresponded mainly to the sector of Transport and Communications (US\$ 183 million) and included the funds used to finance projects such as the second stage of Lima's Electric Train (US\$ 130 million) and the IIRSA Sur highway (US\$ 16 million). Most of these funds (US\$ 148 million) came mainly from the Corporación Andina de Fomento (CAF).

Another important funding source for the implementation of projects was Japan International Cooperation Agency (JICA, US\$ 74 million). Among other programs, these funds have contributed to the development of programs such as the Improvement of Drinking Water and Sanitation Systems in Iquitos, Cuzco and Sicuani (US\$ 22 million), the expansion of the electrical grid (Frontera Eléctrica III) in Cajamarca (US\$ 19 million), and the Sub-Sectoral Irrigation Project (US\$ 12 million). Free availability loan agreements were mainly established with the Inter-American Development Bank (IDB, US\$ 115 million).

The amortization of the external debt amounted to US\$ 1.22 billion, the highest payments being the payment made to the International Bank for Reconstruction and Development (IBRD) (US\$ 342 million), the redemption of Peru 2012 global bonds (US\$ 312 million), and the payments to the IDB (US\$ 228 million) and the Paris Club (US\$ 220 million).

## 5.2 Public Domestic Debt

The domestic debt of the NFPS showed a balance of S/. 53.92 billion, which represents an increase of S/. 3.58 billion. This increase is mostly explained by the issuance of sovereign bonds, whose balance increased by S/. 3.00 billion, as well as by increased domestic liabilities (S/. 937 million) associated with the seasonality of the short-term debt which reflected the generation of greater floating charges<sup>10</sup>.

The issuance of S/. 1,615 million in sovereign bonds to Support the Balance of Payments (series 12AGO31) was authorized by the Treasury. The financial advisors of this operation were Citigroup Global Markets and Deutsche Bank Securities. In addition to this operation, other debt placements amounted to S/. 1.11 billion, which included the placements of series 12SEP23 (S/. 887 million) and 12FEB42 (S/. 221 million). Moreover, the loan granted by Banco de la Nación (D.S. 149-2010-EF) for the purpose of financing the acquisition of military equipment for operations in the area of the Valley of rivers Apurimac and Ene (VRAE) was amortized in February with the placement of S/. 243 million in sovereign bonds 12AGO20.

<sup>10</sup> Accrued expenditure pending payment.

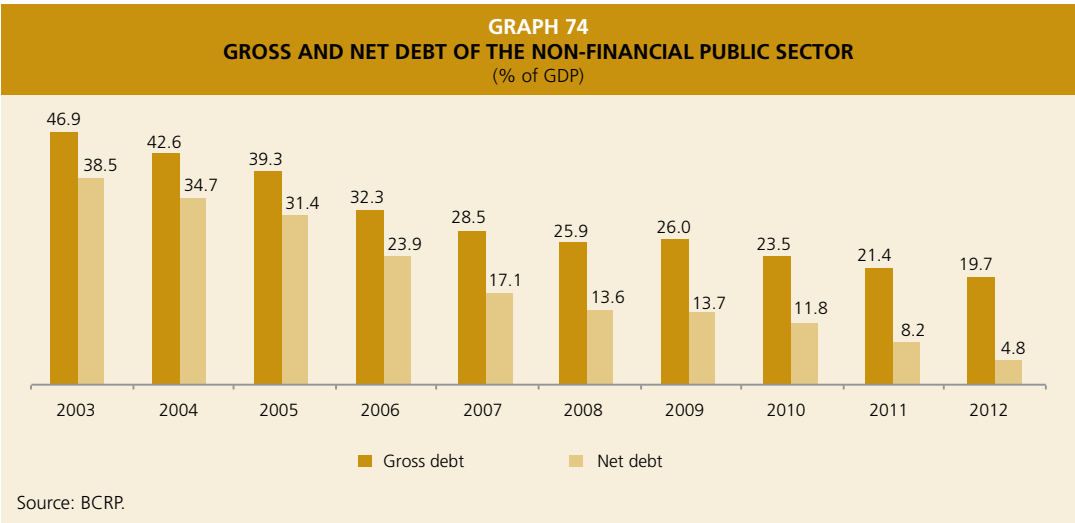


5.3 Net Debt of the Non-Financial Public Sector<sup>11</sup>

In 2012 the net debt amounted to S/. 25.40 billion, a sum equivalent to 4.8 percent of GDP. This debt balance, which is lower by S/. 14.66 billion than the one registered at end 2011, is mainly explained by the fiscal surplus obtained which allowed to increase public financial assets (S/. 14.63 billion).

TABLE 56 NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR						
Year (December)	Millions of nuevos soles			% of GDP		
	Assets	Liabilities	Debt Net	Assets	Liabilities	Debt Net
2003	17,846	100,097	82,252	8.4	46.9	38.5
2004	18,808	101,389	82,581	7.9	42.6	34.7
2005	20,792	102,938	82,146	7.9	39.3	31.4
2006	25,435	97,586	72,151	8.4	32.3	23.9
2007	38,061	95,604	57,543	11.3	28.5	17.1
2008	45,649	96,255	50,606	12.3	25.9	13.6
2009	47,003	99,215	52,212	12.3	26.0	13.7
2010 1/	50,852	102,150	51,298	11.7	23.5	11.8
2011 1/	63,796	103,856	40,059	13.1	21.4	8.2
2012 1/	78,429	103,825	25,396	14.9	19.7	4.8

1/ Preliminary data.  
Source: BCRP and MEF.



5.4 Debt by Currencies

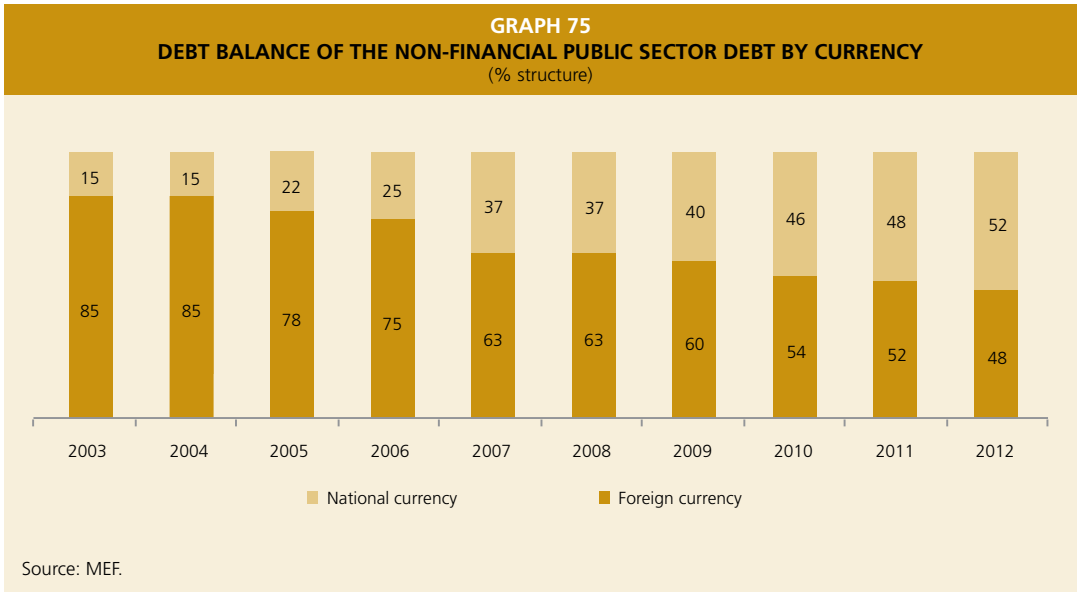
With the purpose of reducing the debt’s exposure to foreign exchange risk, the ratio of the debt contracted in nuevos soles-to-total debt has been increased.

11 The net debt of the NFPS is defined as the difference between the liabilities of the non-financial public sector (gross debt) and its financial assets (total deposits in the domestic and external financial systems).

Thus, between 2003 and 2012 the ratio of debt denominated in domestic currency has increased from 15 to 52 percent of the gross public debt.

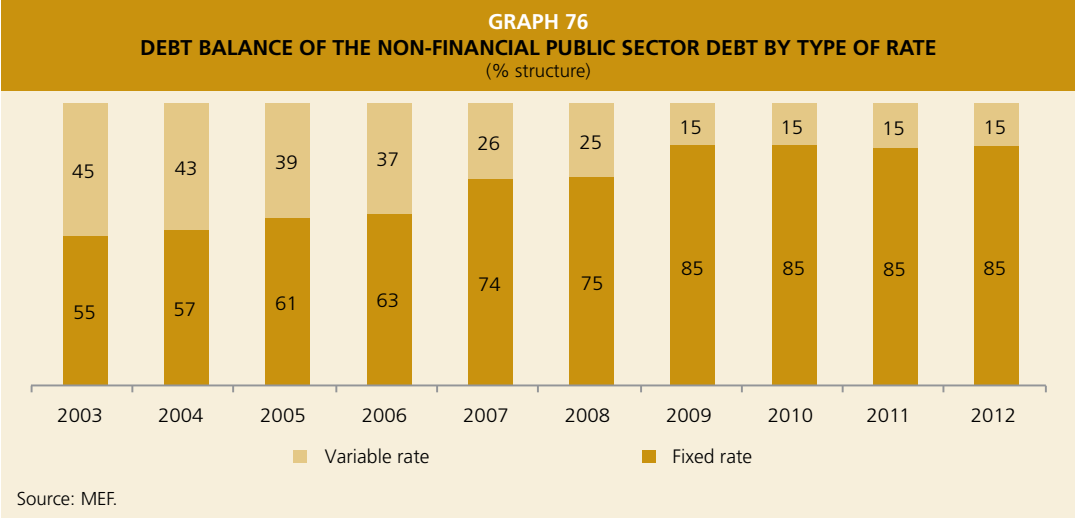
TABLE 57 DEBT BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR BY CURRENCY (Millions of nuevos soles)										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Foreign currency	84,959	85,729	80,534	73,615	60,550	60,738	59,267	55,575	53,843	50,211
2. National currency	15,139	15,660	22,404	23,970	35,053	35,517	39,948	46,576	50,013	53,615
3. TOTAL	100,097	101,389	102,938	97,586	99,604	96,255	99,215	102,150	103,856	103,825

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



5.5 Debt by Type of Interest Rate

In order to be able to predict more precisely the debt service and to minimize the risk of an increase in global interest rates, the debt contracted at variable rates has been gradually replaced by a debt with fixed interest rates. Thus, between 2003 and 2012 the proportion of fixed-rate debt has increased from 55 to 85 percent.



5.6 Average Life of the Debt

Similarly, the average life of debt has been increased over the past years. Between 2003 and 2012 the average life of the debt was increased from 8 to 13 years. The slight decline observed in this indicator in the last two years is explained by the increase in the short- term floating debt (accrued expenses pending payment).

