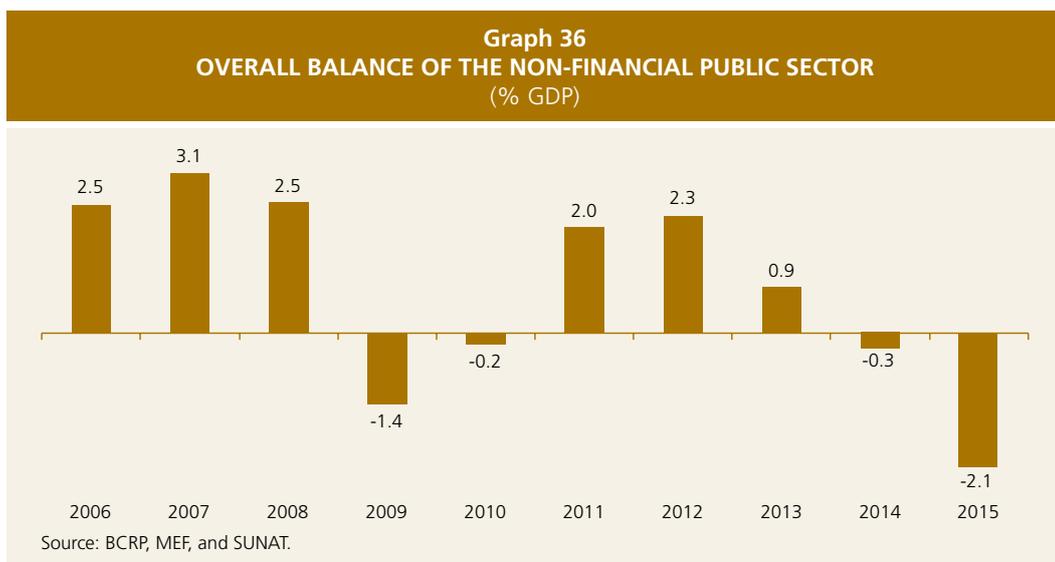


In a context marked by an adverse international environment in which export prices dropped 14.5 percent and a domestic context in which tax revenue was affected by tax reduction measures, the fiscal deficit increased from 0.3 to 2.1 percent of GDP. The increase in current expenditures (part of which was an imported component) was not enough to offset the decline in investment spending, especially lower investment spending at the level of the sub-national Governments, while the State-owned enterprises registered a surplus due to Petroperu's positive balance, explained mainly by the profits resulting from enhancing the margin between the domestic price of fuels and the import price of fuels.



**Table 43**  
**OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR**

	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
<b>I. PRIMARY BALANCE</b>	<b>10,763</b>	<b>4,205</b>	<b>-6,667</b>	<b>2.0</b>	<b>0.7</b>	<b>-1.1</b>
<b>1. Of the General Government</b>	<b>9,916</b>	<b>4,526</b>	<b>-7,293</b>	<b>1.8</b>	<b>0.8</b>	<b>-1.2</b>
a. Current revenue	120,785	127,711	122,251	22.1	22.2	20.0
i. Tax revenue	91,617	97,646	92,788	16.8	17.0	15.2
ii. Non-tax revenue	29,168	30,065	29,462	5.3	5.2	4.8
b. Non-financial expenditure	111,770	123,845	130,152	20.5	21.5	21.3
i. Current	78,329	89,461	96,895	14.3	15.5	15.8
ii. Capital	33,440	34,384	33,257	6.1	6.0	5.4
c. Capital revenue	901	660	609	0.2	0.1	0.1
<b>2. Of Public Enterprises</b>	<b>847</b>	<b>- 321</b>	<b>625</b>	<b>0.2</b>	<b>-0.1</b>	<b>0.1</b>
<b>II. INTERESTS</b>	<b>6,090</b>	<b>6,206</b>	<b>6,331</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>
1. External debt	3,065	2,909	2,664	0.6	0.5	0.4
2. Domestic debt	3,025	3,297	3,667	0.6	0.6	0.6
<b>III. OVERALL BALANCE (I-II)</b>	<b>4,673</b>	<b>-2,002</b>	<b>-12,998</b>	<b>0.9</b>	<b>-0.3</b>	<b>-2.1</b>
1. Net external financing (Million US\$)	-4,388	- 841	9,815	-0.8	-0.1	1.6
a. Disbursements	\$ 348	\$ 1,428	\$ 4,354	0.2	0.7	2.3
b. Amortization	\$ 2,367	\$ 1,456	\$ 1,230	1.1	0.7	0.6
c. Others	\$ 330	-\$ 256	-\$ 150	0.2	-0.1	-0.1
2. Net domestic financing	-1,023	2,809	3,090	-0.2	0.5	0.5
3. Privatization	737	34	94	0.1	0.0	0.0

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

**Graph 37**  
**STRUCTURAL OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR**  
(% potential GDP)



The structural economic balance, the indicator that shows the effect of fiscal policy decisions isolating the effects of the business cycle and the impact of the prices of our minerals exports, showed a deficit and increased from 1.5 to 1.8 percent of GDP in 2015. However, the nature of this balance was not anti-cyclical due to the lower multiplier effect that the income tax reduction had in comparison with the

decline of public investment. Thus, if we break down the fiscal impulse by income and expenses and we weigh each of these factors in terms of their multiplier effect on economic activity, we can see that fiscal policy had a contractionary impact of 0.5 percent of GDP in 2015 due to lower capital spending.

<b>Table 44</b>			
<b>FISCAL IMPULSE</b>			
<b>(% potential GDP)</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Fiscal impulse	0.7	0.7	0.4
By revenues	-0.6	0.2	0.9
By expenditure	1.3	0.5	-0.5
Weighted impulse	0.6	0.3	-0.5

In 2015 financial requirements, which measure the resources needed by the public sector to cover the economic result and cover the amortization of the internal and external debt repayment, totaled S/ 20.97 billion. These requirements were covered with external disbursements and by placements of sovereign bonds.

<b>Table 45</b>						
<b>FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR</b>						
	<b>Million soles</b>			<b>% GDP</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>1. Overall balance</b>	<b>4,673</b>	<b>-2,002</b>	<b>-12,998</b>	<b>0.9</b>	<b>-0.3</b>	<b>-2.1</b>
<b>2. Amortization</b>	<b>7,859</b>	<b>9,059</b>	<b>7,974</b>	<b>1.4</b>	<b>1.6</b>	<b>1.3</b>
Redemption of recognition bonds	448	692	678	0.1	0.1	0.1
Domestic debt	1,188	4,160	3,437	0.2	0.7	0.6
External debt 1/	6,223	4,207	3,859	1.1	0.7	0.6
<b>3. Financial requirements</b>	<b>3,186</b>	<b>11,061</b>	<b>20,972</b>	<b>0.6</b>	<b>1.9</b>	<b>3.4</b>
External disbursements	954	4,119	14,057	0.2	0.7	2.3
Freely disposable funds	348	2,162	13,046	0.1	0.4	2.1
Investment projects	606	1,957	1,010	0.1	0.3	0.2
Domestic bonds 1/	4,025	11,537	7,095	0.7	2.0	1.2
Privatization	737	34	94	0.1	0.0	0.0
Others	-2,530	-4,629	-274	-0.5	-0.8	0.0

1/ Amounts include operations of managing of approved debt.  
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises, and public institutions..

## 1. Revenue of the General Government

The current revenues of the General Government was equivalent to 20.0 percent of GDP, 2.2 percentage points of GDP lower than in the previous year (down 7.5 percent in real terms). The decline in tax revenues, particularly the decline in the income tax, was associated mainly with the tax measures taken at the end of 2014 (the effect of these measures being estimated to be between 0.6 and 0.7 percentage points of GDP).

Moreover, other measures taken included the reduction of tariff rates and the excise tax on fuels, as well as changes in the systems of advanced payment of the VAT. Revenues were affected not only by these measures, but also by the slower pace of growth registered in the economy as well as by the drop in the price of oil and in the prices of our main export products, which directly affected revenue for mining and oil royalties, the Special Tax on Mining, The Special Levy on Mining, and mining royalties.

**Table 46**  
**FISCAL REVENUE RATIOS**  
(% GDP)

	2013	2014	2015
Central government tax burden	16.4	16.5	14.7
Central government fiscal burden 1/	18.9	19.0	16.6
Fiscal burden of the general government 2/	22.1	22.2	20.0

1/ The difference respect to tax burden is the inclusion of non-tax revenues.

2/ The difference between central and general government due to local governments and other institutions as EsSalud, ONP y regulatory agencies of general government.

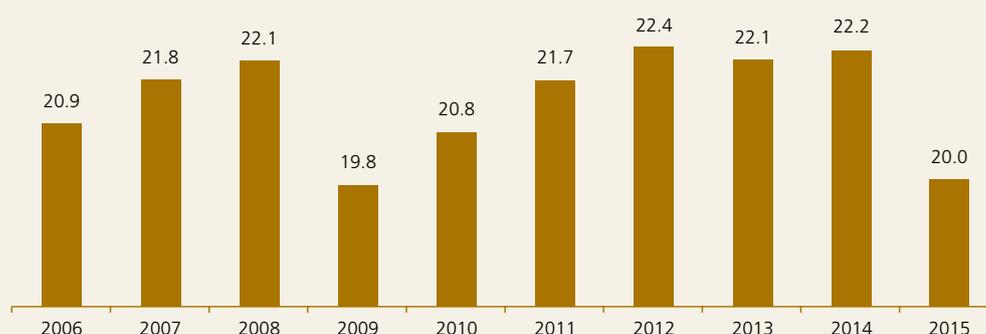
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.

**Table 47**  
**GENERAL GOVERNMENT REVENUES**

	Million soles			Real % chg.		% GDP		
	2013	2014	2015	2014	2015	2013	2014	2015
<b>I. TAX REVENUE</b>	<b>91,617</b>	<b>97,646</b>	<b>92,788</b>	<b>3.3</b>	<b>-8.2</b>	<b>16.8</b>	<b>17.0</b>	<b>15.2</b>
1. Income tax	36,512	40,157	34,745	6.5	-16.3	6.7	7.0	5.7
- Individuals	10,149	10,894	10,557	3.9	-6.3	1.9	1.9	1.7
- Legal entities	22,914	25,031	20,542	5.8	-20.7	4.2	4.3	3.4
- Tax regularization	3,450	4,232	3,646	18.7	-16.5	0.6	0.7	0.6
2. Import duties	1,706	1,790	1,775	1.7	-4.3	0.3	0.3	0.3
3. Value-added tax (VAT)	47,819	50,352	51,668	2.0	-0.9	8.8	8.7	8.4
- Domestic VAT	27,164	28,732	30,410	2.5	2.2	5.0	5.0	5.0
- VAT on imports	20,655	21,620	21,258	1.4	-5.1	3.8	3.8	3.5
4. Excise tax	5,480	5,135	5,495	-9.2	3.3	1.0	0.9	0.9
- Fuels	2,501	2,041	2,210	-21.0	4.5	0.5	0.4	0.4
- Others	2,979	3,094	3,284	0.6	2.5	0.5	0.5	0.5
5. Other income tax	11,363	10,921	10,782	-6.8	-4.8	2.1	1.9	1.8
- National government	9,069	8,585	8,171	-8.2	-8.3	1.7	1.5	1.3
- Local governments	2,294	2,336	2,611	-1.4	8.0	0.4	0.4	0.4
6. Tax returns	-11,264	-10,708	-11,676	-7.9	5.4	-2.1	-1.9	-1.9
<b>II. NON-TAX REVENUES</b>	<b>29,168</b>	<b>30,065</b>	<b>29,462</b>	<b>-0.2</b>	<b>-5.3</b>	<b>5.3</b>	<b>5.2</b>	<b>4.8</b>
1. Contributions to Essalud and ONP	11,493	12,513	13,402	5.4	3.4	2.1	2.2	2.2
2. Oil, gas and mining royalty	2,875	2,649	1,633	-10.1	-40.3	0.5	0.5	0.3
3. Oil Canon	3,005	2,895	1,622	-6.7	-45.9	0.6	0.5	0.3
4. Others	11,794	12,008	12,805	-1.9	1.4	2.2	2.1	2.1
<b>III. TOTAL (I+ II)</b>	<b>120,785</b>	<b>127,711</b>	<b>122,251</b>	<b>2.4</b>	<b>-7.5</b>	<b>22.1</b>	<b>22.2</b>	<b>20.0</b>

Source: MEF, Banco de la Nación, BCRP, INEI, SUNAT, EsSalud, ONP, charity societies, regulatory agencies and registry offices.

**Graph 38**  
**GENERAL GOVERNMENT FISCAL BURDEN**  
(% GDP)



Source: BCRP.

Revenue from the **income tax** fell from 7.0 to 5.7 percent in GDP terms, recording a decline of 16.3 percent in real terms. Furthermore, revenue from the income tax of legal entities dropped 20.7 percent due to the tax rate reduction, from 30 to 28 percent, effective since January 2015, and there was also lower revenue from retained tax to non-domiciled taxpayers (47.8 percent) in comparison to 2014 when tax revenue was received from companies operating in the field of exploitation of natural resources. Revenue for the sale of assets during 2014 totaled S/ 3.46 billion, whereas in 2015 they totaled S/ 218 million. On the other hand, revenue from the income tax of natural persons fell 6.3 percent, a decline explained by the changes implemented in tax scales, which reduced the effective rates for lower-income taxpayers.

**Table 48**  
**INCOME TAX BY CATEGORY**  
(Million soles)

	2013	2014	2015	Real % chg.	
				2014	2015
First category	310	374	443	16.7	14.5
Second category	1,275	1,214	1,287	-7.8	2.5
Third category	19,633	18,536	16,817	-8.5	-12.3
Fourth category	744	834	783	8.5	-9.3
Fifth category	7,820	8,473	8,044	4.9	-8.2
Non-domiciled	2,848	6,027	3,248	104.7	-47.8
Regularization	3,450	4,232	3,646	18.7	-16.5
Others	432	468	477	4.7	-1.4
<b>Total</b>	<b>36,512</b>	<b>40,157</b>	<b>34,745</b>	<b>6.5</b>	<b>-16.3</b>

Source: SUNAT.

At the sector level, tax prepayments in the mining and hydrocarbon sectors fell by 53.6 and 45.9 percent, respectively, due to the drop of the international prices of metals and crude oil.

**Table 49**  
**REVENUES FROM CORPORATE TAX BY SECTORS: PAYMENTS ON ACCOUNT**  
(Million soles)

	2013	2014	2015	Real % chg.	
				2014	2015
Services 1/	7,507	7,612	8,223	-1.8	4.4
Commerce	3,431	3,220	3,034	-9.1	-9.0
Manufacturing	2,706	2,517	2,143	-9.8	-17.8
Hydrocarbons	1,908	1,903	913	-3.3	-53.6
Mining	2,922	1,881	1,051	-37.6	-45.9
Construction	1,047	1,283	1,361	18.7	2.5
Agriculture and livestock	64	72	47	8.2	-37.3
Fishing	48	47	46	-4.5	-6.3
<b>Total</b>	<b>19,633</b>	<b>18,536</b>	<b>16,817</b>	<b>-8.5</b>	<b>-12.3</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.

Revenue from **import duties** decreased 4.3 percent in real terms, but maintained the ratio of 0.3 percent in GDP terms observed since 2011. This decrease is explained by the reduction of

the tariff rates on 1,085 tariff items, applied mainly on inputs which had tariff rates of 6 and 11 percent.

Moreover, revenue from the **value added tax (VAT)** declined for the third consecutive year, falling from 8.7 percent in 2014 to 8.4 percent of GDP in 2015, which implied a fall of 0.9 percent in real terms which is mostly explained by the lower dynamism of economic activity. In addition, the rationalization of the tax prepayment schemes contributed also to this decline in revenue.

On the other hand, the revenue from the **excise tax** grew 3.3 percent in real terms as a result of the increase in the excise tax on fuels (4.5 percent) and the increase in the excise tax on other goods (2.5 percent).

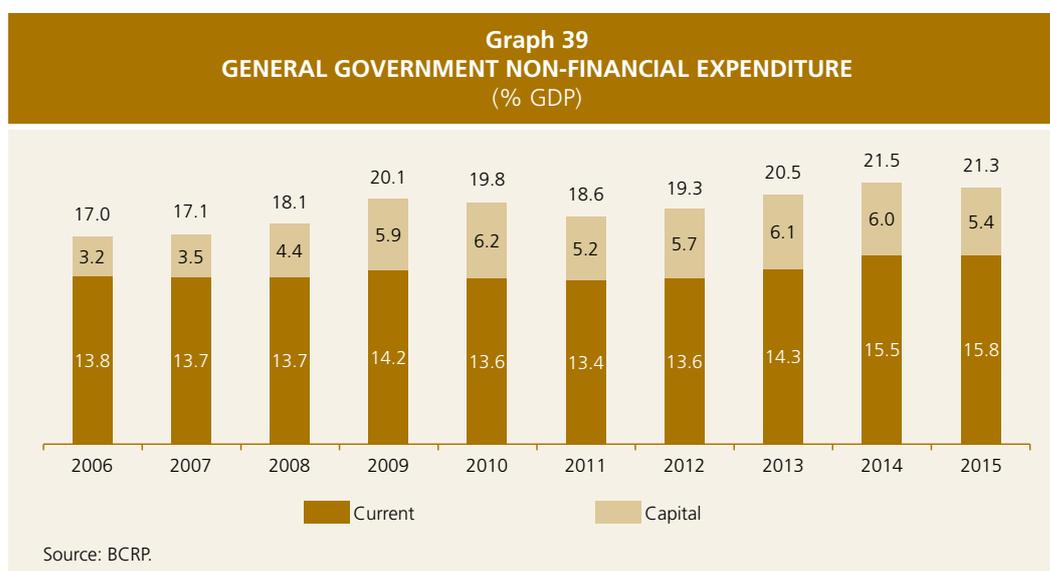
Revenue from other **tax revenue** fell for the second consecutive year, falling from 1.9 to 1.8 percent of GDP, which represented a real decline of 4.8 percent. This fall is explained mainly by the lower transfer of tax withholdings (-17.7percent) and fines (-28.1 percent).

**Tax refunds** were equivalent to 1.9 percent of GDP and showed a real increase of 5.4 percent due to the higher amounts refunded for exports (18.5 percent), offset in part by the lower early refund of the VAT (49.7 percent).

Finally, **non-tax revenues** fell 5.3 percent in real terms due to the lower revenue oil and gas canon and royalties, which dropped 45.9 and 47.8 percent, respectively.

## 2. General Government Spending

In 2015 the non-financial expenditure of the General Government was equivalent to 21.3 percent of GDP, a ratio 0.2 percentage points lower than in 2014. The growth of government spending in the year is explained by higher current expenditure, which rose from 15.5 to 15.8 percent of GDP, which was offset by lower capital expenditure (down by 0.6 percentage points in this period). By government levels, increased current expenditure and capital expenditure stand out at the level of the national Government –up from 10.7 to 11.1 percent of GDP and from 2.4 to 2.7 percent of GDP, respectively–, while on the other hand, capital spending fell by 0.8 percentage points at the level of sub-national governments due to the management problems that the sub-national authorities usually face in the first year in office.



**Table 50**  
**GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE 1/**

	Million soles			Real % chg.		% GDP		
	2013	2014	2015	2014	2015	2013	2014	2015
<b>I. CURRENT EXPENDITURE</b>	<b>78,329</b>	<b>89,461</b>	<b>96,895</b>	<b>10.6</b>	<b>4.5</b>	<b>14.3</b>	<b>15.5</b>	<b>15.8</b>
<b>Wages and salaries</b>	<b>29,361</b>	<b>34,032</b>	<b>35,358</b>	<b>12.2</b>	<b>0.3</b>	<b>5.4</b>	<b>5.9</b>	<b>5.8</b>
National government	17,988	20,897	21,808	12.5	0.8	3.3	3.6	3.6
Regional governments	9,452	11,048	11,512	13.2	0.6	1.7	1.9	1.9
Local governments	1,921	2,086	2,038	5.2	-5.7	0.4	0.4	0.3
<b>Goods and services</b>	<b>31,424</b>	<b>35,065</b>	<b>40,642</b>	<b>8.1</b>	<b>11.7</b>	<b>5.8</b>	<b>6.1</b>	<b>6.6</b>
National government	20,907	24,081	28,941	11.6	15.9	3.8	4.2	4.7
Regional governments	3,567	3,721	4,681	1.1	21.1	0.7	0.6	0.8
Local governments	6,950	7,264	7,021	1.3	-6.8	1.3	1.3	1.1
<b>Transfers</b>	<b>17,545</b>	<b>20,364</b>	<b>20,896</b>	<b>12.4</b>	<b>-1.0</b>	<b>3.2</b>	<b>3.5</b>	<b>3.4</b>
National government	14,097	16,695	17,454	14.7	0.8	2.6	2.9	2.9
Regional governments	2,260	2,559	2,341	9.6	-11.6	0.4	0.4	0.4
Local governments	1,187	1,110	1,100	-9.5	-4.3	0.2	0.2	0.2
<b>II. CAPITAL EXPENDITURE</b>	<b>33,440</b>	<b>34,384</b>	<b>33,257</b>	<b>-0.4</b>	<b>-6.8</b>	<b>6.1</b>	<b>6.0</b>	<b>5.4</b>
<b>Gross Capital Formation</b>	<b>30,739</b>	<b>31,660</b>	<b>28,776</b>	<b>-0.2</b>	<b>-12.5</b>	<b>5.6</b>	<b>5.5</b>	<b>4.7</b>
National government	9,532	11,465	12,221	16.4	2.8	1.7	2.0	2.0
Regional governments	7,120	6,276	5,541	-14.5	-15.0	1.3	1.1	0.9
Local governments	14,087	13,919	11,014	-4.3	-23.9	2.6	2.4	1.8
<b>Other capital expenditure</b>	<b>2,701</b>	<b>2,723</b>	<b>4,481</b>	<b>-2.2</b>	<b>58.9</b>	<b>0.5</b>	<b>0.5</b>	<b>0.7</b>
<b>III. NON FINANCIAL EXPENDITURE (I + II)</b>	<b>111,770</b>	<b>123,845</b>	<b>130,152</b>	<b>7.3</b>	<b>1.4</b>	<b>20.5</b>	<b>21.5</b>	<b>21.3</b>
National government	64,916	75,665	84,747	12.9	8.1	11.9	13.1	13.8
Regional governments	22,492	23,647	24,097	1.9	-1.7	4.1	4.1	3.9
Local governments	24,362	24,533	21,308	-2.4	-16.3	4.5	4.3	3.5

1/ Net of commissions and intergovernmental transfers.  
Source: MEF, BCRP, and INEI.

## National Government

The **non-financial expenditure of the national government** was equivalent to 13.8 percent of GDP, which represents an increase of 8.1 percent in real terms relative to 2014. This increase is explained mainly by a real increase in spending in goods and services (15.9 percent).

Expenditure in **wages** and salaries grew by a real 0.8 percent compared with 2014, which is explained mainly by the higher salary levels approved for the public servants of the Ministries of Education and Health, the Armed Forces and Policía Nacional del Perú, in line with a comprehensive compensation policy. These wage increases were offset by a base effect of non-recurring expenses awarded in 2014, which implied payments in 2014 which have not been made again in 2015: an extraordinary payment of a bonus in July and December 2014 (S/ 380 million) and the payment of benefits pending for D.U.N° 037-94 (S/ 919 million).

Spending on **goods and services** amounted to 4.7 percent of GDP, which represents an increase of 15.9 percent in real terms. The more significant spending increases were recorded in the Ministry of Defense (for the acquisition of vehicles, furniture, computer equipment and devices for defense and security); in the Ministry of Education (for teacher training and literacy programs); the Ministry

of Health (for the purchase of medical supplies, vaccines and drugs, as well as for greater outpatient health care attention and hospitalization), and in the Ministry of Transport and Communications (for road maintenance and road repair works).

Spending for **current transfers** amounted to 2.9 percent of GDP, which represented an increase of 0.8 percent in real terms. Transfers made during the year that stand out included the transfers to Program Juntos (Programa Nacional de Apoyo Directo a los más Pobres) benefiting 815 thousand households (S/ 941 million), Pensión 65 (Programa Nacional de Asistencia Solidaria), monetary grants given to 502 thousand senior citizens (S/ 708 million), Programa Nacional Cuna Más (S/ 185 million), and transfers to cover payments of Caja Militar-Policial (S/ 1.24 billion).

The national government expenditure in **gross capital formation**, which remained at 2.0 percent of GDP, was concentrated mainly in the sector of Transport, which represented 54 percent of the investment of the national government. It is worth pointing out that increased spending was made in road concession projects and works, the improvement of Av. Nestor Gambetta – Callao and other works associated with the construction of Lima’s Metro Line 2 and section Avenida Faucett–Gambetta of Lima’s Metro project, and the construction of the second lane of the Piura – Paita highway.

On the other hand, other **capital expenditure** of the national government (S/ 4.32 billion) increased by 65.2 percent, which is mainly explained by the higher costs incurred for Bono Familiar Habitacional and for transfers to international organizations for the construction of the National Museum of Peru in the district of Lurín.

**Table 51**  
**MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT: 2015**  
(Million soles)

<b>PROJECTS</b>	<b>Amount</b>
<b>TRANSPORT</b>	<b>6,606</b>
Land transport concessions	1,403
Improvement of Road Néstor Gambetta - Callao	542
Construction of line 2 network and section Av. Faucett-Gambetta in Metropolitan Lima and Callao	411
Construction of Road section 2 Piura-Paita	267
Construction and improvement of Road Camaná-Quilca-Matarani-Ilo-Tacna	252
Restoration and improvement of Road Quinua-San Francisco	219
Restoration and improvement of Road Puerto Bermúdez-San Alejandro	187
Broadband for connectivity and social development in Cajamarca Region	185
Railways concessions	185
Restoration and improvement of Longitudinal highway of the North Highlands, Tranche Cochabamba-Cutervo-Santo Domingo de la Capilla-Chiple	176
Restoration and improvement of Road Huaura - Sayan - Churín	175
Other	2,605
<b>EDUCATION AND HEALTH</b>	<b>2,554</b>
Improvement in educational infrastructure	1,405
Educational institutions for fulfillment of hours normed	199
Health services with complementary skills for emergencies and disasters	105
Other	844
<b>OTHER</b>	<b>3,061</b>
<b>TOTAL</b>	<b>12,221</b>

Source: MEF.

## Regional Governments

The non-financial expenditure of regional governments, which was equivalent to 3.9 percent of GDP, fell 1.7 percent in real terms. This result is basically explained by the decline observed

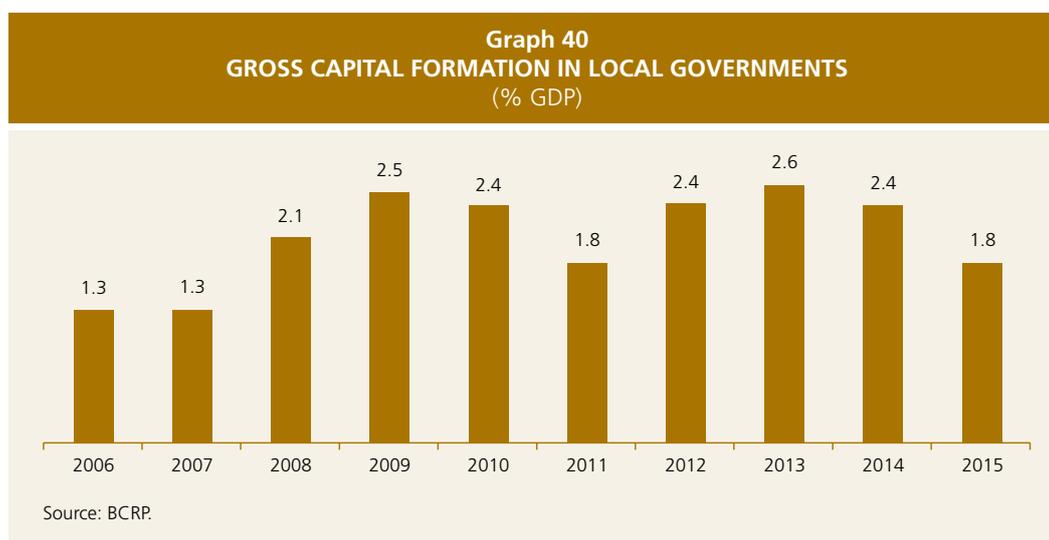
in gross capital formation (15.0 percent), offset in part by increased current spending (3.2 percent).

The regional governments that recorded the higher investment levels were the regional governments of San Martín, La Libertad, and Cusco, while the projects that stand out in 2015 were Proyecto Chavimochic, Third Stage in La Libertad, Improving Problem-Solving Capacity in Hospital Regional Miguel Ángel Mariscal Llerena, in Ayacucho, and Proyecto Majes Siguan – II Stage, in Arequipa.

### Local Governments

The non-financial expenditure of the local governments dropped by a real 16.3 percent compared to 2014, reflecting a lower dynamism in investment expenditure, which decreased 23.9 percent.

By Departments, the investment of local governments was led by the Departments of Cusco, Lima, Piura and Cajamarca. The most significant project carried out by local governments due to the amount involved was the improvement of the Malecón de la Costa Verde.



### 3. State-Owned Enterprises

In contrast with the negative balance they recorded in 2014 (deficit of S/ 478 million), the State-owned enterprises recorded a positive economic balance of S/ 475 million in 2015. This balance is explained mainly by the lower deficit registered by Petroperu and by the surpluses of Sedapal, Electroperu, and regional electricity companies.

In 2015 **Petroperu** showed a deficit of S/ 745 million, explained mainly by the investment associated with the modernization of the Talara Refinery (the gross profit, which does not include capital costs, totaled S/ 503 million). In addition, Petroperu lowered the refinery price of its products during 2015: for example, the price of gasohol fuels was lowered from S/ 6.44 per gallon in December 2014 to S/ 6.12 per gallon in December 2015, which represented a reduction in their income from sales. On the other hand, however, the domestic refinery prices remained above the international benchmark prices of these products at S/ 0.76 per gallon (equivalent to 13.4 percent of the international price), which allowed the company to increase its savings account by S/ 1.24 billion.

**Sedapal** showed a surplus of S/ 443 million, a balance S/ 29 million higher than in 2014 (S/ 413 million). This enterprise recorded revenue of capital transfers from the Ministry of Housing, Construction and Sanitation, which amounted to S/ 197 million, which were used to finance public investment projects in the field of urban sanitation, such as the projects aimed at the rehabilitation and improvement of treatment plants of drinking water, the rehabilitation and expansion of sewer treatment plants, the expansion of coverage, sanitation improvement in Lima's marginal areas, and the rehabilitation and replacement of primary and secondary water supply and sewerage networks.

**Electroperu** recorded a surplus of S/ 97 million, a balance S/ 39 million lower than in 2014 (S/ 135 million), which is explained mainly by higher operating expenses. It is worth mentioning that Electroperu sells the supply of energy to electricity distribution companies and provides power distribution to free clients located in different areas of the country.

Increasing their 2014 balance by S/ 284 million, the **regional electricity companies** registered an overall surplus of S/ 498 million in 2015. This balance is explained by increased revenue due to energy sales in a year in which higher current costs for rural electrification programs were reported. The electricity companies that contributed to this surplus include Egasa, Electro Nor Oeste and Egemsa.

Table 52 OVERALL BALANCE OF STATE ENTERPRISES						
	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
Petroperu	-615	-1,450	-745	-0.1	-0.3	-0.1
Electroperu	297	135	97	0.1	0.0	0.0
Regional Electricity Companies	110	213	498	0.0	0.0	0.1
Sedapal	374	413	443	0.1	0.1	0.1
Others	550	210	183	0.1	0.0	0.0
<b>TOTAL</b>	<b>715</b>	<b>-478</b>	<b>475</b>	<b>0.1</b>	<b>-0.1</b>	<b>0.1</b>

Source: State enterprises and FONAFE.

#### 4. Promotion of Private Investment

Projects in the sectors of electricity and telecommunications given in concession to private operators during 2015 involved investment commitments for a total of US\$ 528 million. These concessions included the Installation of Broadband for Connectivity and Social Development in the Cajamarca Region, awarded to Consorcio Redes Andinas de Comunicaciones (Winner Systems S.A.C. and Servicios de Infraestructura del Perú S.A.C.) which involves an investment commitment of US\$ 109 million.

Another concession contract that stands out was the concession of the installation of broadband for connectivity and social development in the regions of Tumbes and Piura, awarded also to the Consorcio Redes Andinas de Comunicaciones (Winner Systems S.A.C. and Servicios de Infraestructura del Perú S.A.C.), with an investment commitment of US\$ 73 million.

Finally, another project to be implemented in the telecommunications sector was the installation of broadband for connectivity and social development in the North Area of the country - Cusco Region, awarded to Gilat Networks Peru S.A. which will invest US\$ 69 million.

**Table 53**  
**PRIVATIZATIONS AND CONCESSIONS: 2014**  
(Million US\$)

Concessions and projects	Date	Awarded to	Investment
220 kV Azangaro - Juliaca - Puno Transmission Line	February 12	Consortio Red Eléctrica Internacional S.A. - AC Capitales SAFI	36.8
Broadband Installation for Integral Connectivity and Social Development of Huancavelica Region	March 5	Consortio GILAT (Gilat to Home Perú S.A. y Gilat to Home Satellite Ltd.)	49.4
Broadband Installation for Integral Connectivity and Social Development of Ayacucho Region	March 5	Consortio GILAT (Gilat to Home Perú S.A. y Gilat to Home Satellite Ltd.)	55.3
Broadband Installation for Integral Connectivity and Social Development of Apurimac Region	March 5	Consortio GILAT (Gilat to Home Perú S.A. y Gilat to Home Satellite Ltd.)	42.3
Comprehensive Broadband Connectivity for the Social Development of the Northern Zone of the Country-Lambayeque Region	March 5	Telefónica del Perú S.A.A	31.5
First Stage of the Carapongo Substation and Conexión Links to Associated Lines	July 15	Interconexión Eléctrica S.A. E.S.P – ISA.	42.7
Broadband Installation for Comprehensive Connectivity and Social Development of Tumbes and Piura Regions	December 15	Consortio Redes Andinas de Comunicaciones (Winner Systems S.A.C. y Servicios de Infraestructura del Perú S.A.C.)	72.9
Broadband Installation for Comprehensive Connectivity and Social Development of Cajamarca Region	December 15	Consortio Redes Andinas de Comunicaciones (Winner Systems S.A.C. y Servicios de Infraestructura del Perú S.A.C.)	108.5
Broadband Installation for Comprehensive Connectivity and Social Development of the Northern Zone and Cusco Region	December 16	Gilat Networks Perú S.A	68.6
220 kV Montalvo-Los Heroes Transmission Line and Associated Substations	December 16	Red Eléctrica Internacional S.A.	20.2
<b>TOTAL</b>			<b>528.2</b>

Source: Proinversión.

## 5. Public Debt

In 2015 the public debt totaled S/ 142.83 billion. This debt amount, equivalent to 23.3 percent of GDP, is 3.3 percentage points higher than the debt amount recorded in 2014. Several placements of global bonds and debt management operations (debt swap and repo operations) were carried out during the year, as a result of which the balance of the foreign debt increased from 8.7 to 11.1 percent of GDP between 2014 and 2015. Moreover, the government continued with its placements of sovereign bonds and Treasury bills to meet foreseen needs and pre-finance 2016 requirements, which implied an increase of 0.3 percent of GDP in the balance of the domestic debt.

**Table 54**  
**DEBT BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR 1/**

	Million soles			% GDP		
	2013	2014	2015	2013	2014	2015
<b>PUBLIC DEBT (I + II)</b>	<b>107,044</b>	<b>115,386</b>	<b>142,831</b>	<b>19.6</b>	<b>20.0</b>	<b>23.3</b>
<b>I. EXTERNAL PUBLIC DEBT</b>	<b>48,084</b>	<b>50,373</b>	<b>68,006</b>	<b>8.8</b>	<b>8.7</b>	<b>11.1</b>
Loans	21,463	23,188	28,670	3.9	4.0	4.7
International organizations	15,912	16,789	21,861	2.9	2.9	3.6
Paris Club	5,478	4,848	5,048	1.0	0.8	0.8
Suppliers	63	56	52	0.0	0.0	0.0
International banks	0	1,490	1,706	0.0	0.3	0.3
Latin America	10	6	2	0.0	0.0	0.0
Other bilateral organizations	0	0	0	0.0	0.0	0.0
Global bonds	26,621	27,184	39,336	4.9	4.7	6.4
<b>II. DOMESTIC PUBLIC DEBT</b>	<b>58,961</b>	<b>65,014</b>	<b>74,825</b>	<b>10.8</b>	<b>11.3</b>	<b>12.2</b>
<b>1. LONG TERM</b>	<b>49,626</b>	<b>57,711</b>	<b>65,035</b>	<b>9.1</b>	<b>10.0</b>	<b>10.6</b>
Bank loans	4,587	5,068	7,729	0.8	0.9	1.3
Treasury bonds	45,039	52,643	57,306	8.2	9.1	9.4
1. Bonds (BCRP)	0	205	921	0.0	0.0	0.2
2. Bonds to support the financial system	341	363	0	0.1	0.1	0.0
3. Debt swap bonds	1,543	1,371	1,166	0.3	0.2	0.2
4. Sovereign bonds	35,866	43,749	48,509	6.6	7.6	7.9
5. Recognition bonds	7,290	6,955	6,709	1.3	1.2	1.1
Municipality of Lima Bonds	0	0	0	0.0	0.0	0.0
<b>2. SHORT TERM</b>	<b>9,335</b>	<b>7,303</b>	<b>9,790</b>	<b>1.7</b>	<b>1.3</b>	<b>1.6</b>
Memo:						
Liabilities of Private-Public Partnerships	4,117	4,166	4,460	0.8	0.7	0.7
FEPCs	295	190	0	0.1	0.0	0.0
External debt from COFIDE and Mivivienda Fund	4,294	7,698	12,631	0.8	1.3	2.1
<b>Bond holdings</b>	<b>62,487</b>	<b>70,934</b>	<b>87,845</b>	<b>11.4</b>	<b>12.3</b>	<b>14.4</b>
Residents	21,154	31,459	37,757	3.9	5.5	6.2
Non-residents	41,333	39,475	50,089	7.6	6.9	8.2
<b>Sovereign bonds</b>	<b>35,866</b>	<b>43,749</b>	<b>48,509</b>	<b>6.6</b>	<b>7.6</b>	<b>7.9</b>
Residents	17,546	27,225	31,341	3.2	4.7	5.1
Non-residents	18,320	16,524	17,169	3.4	2.9	2.8
<b>Global bonds</b>	<b>26,621</b>	<b>27,184</b>	<b>39,336</b>	<b>4.9</b>	<b>4.7</b>	<b>6.4</b>
Residents	3,608	4,234	6,416	0.7	0.7	1.0
Non-residents	23,013	22,951	32,920	4.2	4.0	5.4

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

## 5.1 External Debt

The external public debt, which represents 48 percent of the total debt of non-financial public sector, amounted to S/ 68.01 billion in 2015. Global bonds in the amounts of € 1.1 billion (equivalent to US\$ 1.26 billion), US\$ 1.25 billion, and US\$ 545 million, and with maturities in 2026, 2027, and 2050, respectively, were issued in the international market during the year. Moreover, swap and

repurchase operations of 2016, 2019, and 2025 global bonds for a total of US\$ 350 million were also carried out in March 2015.

In addition to these placement of bonds, external disbursements were received to meet external debt commitments (US\$ 985 million) as well as to finance investment projects in the general government (US\$ 289 million). The amortization of the debt during the year amounted to US\$ 1.23 million.

## 5.2. Domestic Debt

The domestic public debt showed a balance of S/ 74.83 billion by the end of 2015, which represented an increase of S/ 9.81 billion of the debt compared to December 2014. This increase is explained mainly by a higher issuance of sovereign bonds (S/ 4.76 billion), whose balance increased to S/ 48.51 billion, of which 35 percent is held by non-residents.

The government also approved the periodic issuance of 90-day to 360-day Treasury Bills and placed Bills for a total of S/. 1.39 billion during the year.

## 5.3 Net Debt<sup>9</sup>

In 2015 the net debt amounted to S/. 40.11 billion, a sum equivalent to 6.6 percent of GDP. This debt balance, which is S/. 17.83 billion higher than the one recorded at end 2014, is mainly explained by the increase in the public debt (up by S/. 27.45 billion), offset by the growth of public government financial assets (up by S/. 9.61 billion).

**Table 55**  
**NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR**

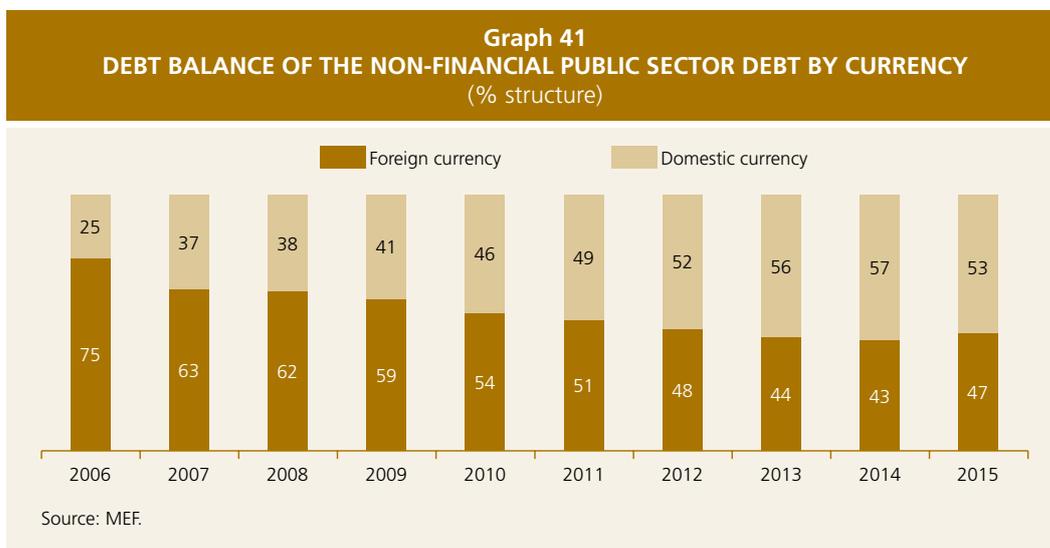
Year (December)	Million soles			% GDP		
	Assets	Liabilities	Debt net	Assets	Liabilities	Debt net
2006	25,435	97,586	72,151	8.8	33.9	25.1
2007	38,061	95,604	57,543	11.9	29.9	18.0
2008	45,649	95,674	50,025	12.8	26.9	14.1
2009	47,003	99,215	52,212	12.9	27.2	14.3
2010	50,852	102,150	51,298	12.1	24.3	12.2
2011	63,531	103,856	40,325	13.5	22.1	8.6
2012	78,612	103,810	25,198	15.5	20.4	5.0
2013 1/	87,023	107,044	20,021	15.9	19.6	3.7
2014 1/	93,113	115,386	22,273	16.2	20.0	3.9
2015 1/	102,724	142,831	40,107	16.8	23.3	6.6

1/ Preliminary.  
Source: BCRP and MEF.

## 5.4 Debt by Currencies

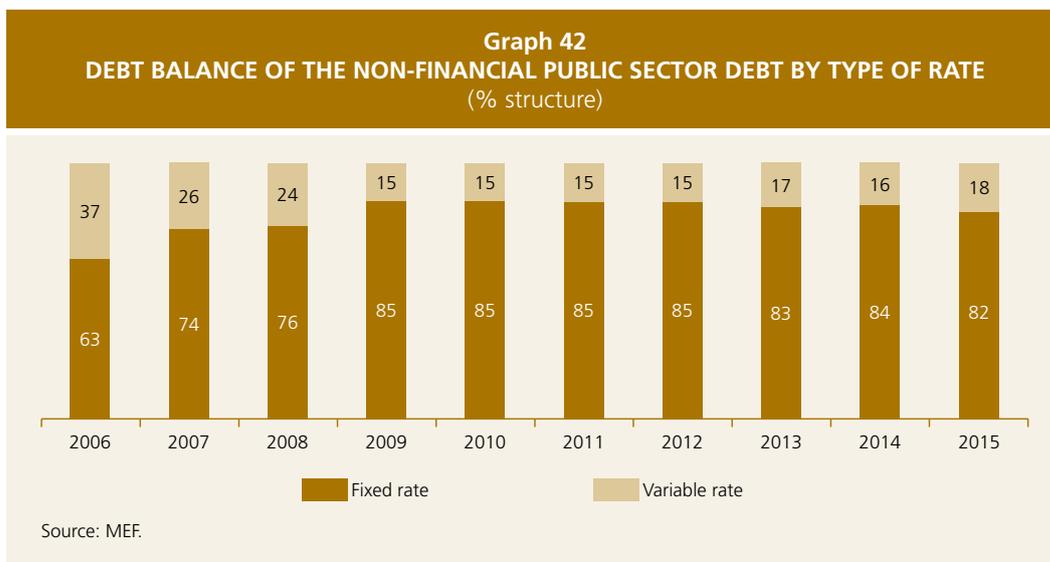
The ratio of the debt in soles to the total public debt has been increased over the past 10 years to reduce exposure to foreign exchange risks. Thus, between 2006 and 2014, the ratio of the debt in domestic currency has increased from 25 percent to 57 percent of the gross public debt. However, this ratio fell from 57 percent in 2014 to 53 percent in 2015 as a result of the higher placement of global bonds (US\$ 3.06 billion) whereas sovereign bonds placed by the Program Creadores de Mercado by S/ 2.70 billion.

<sup>9</sup> The net public debt is defined as the difference between the public sector liabilities (total public debt) and the public sector financial assets (total deposits in the domestic and external financial systems).



### 5.5 Debt by Type of Interest Rates

The percentage of fixed-rate debt declined from 84 to 82 percent between 2014 and 2015. However, from a longer-term perspective, we see that the ratio of debt at a fixed rate has increased from 63 percent in 2006 to 82 percent in 2015. Moreover, the ratio of the variable-rate debt has increased slightly in the last year due to the placement of sovereign bonds VAC.



## 5.6. Average life of the Debt

The average life of the **domestic public debt** is slightly longer (12.3 years) than the average life of the **foreign public debt** (11.9 years). Between 2006 and 2015 this indicator increased from 8 to 12 years.

