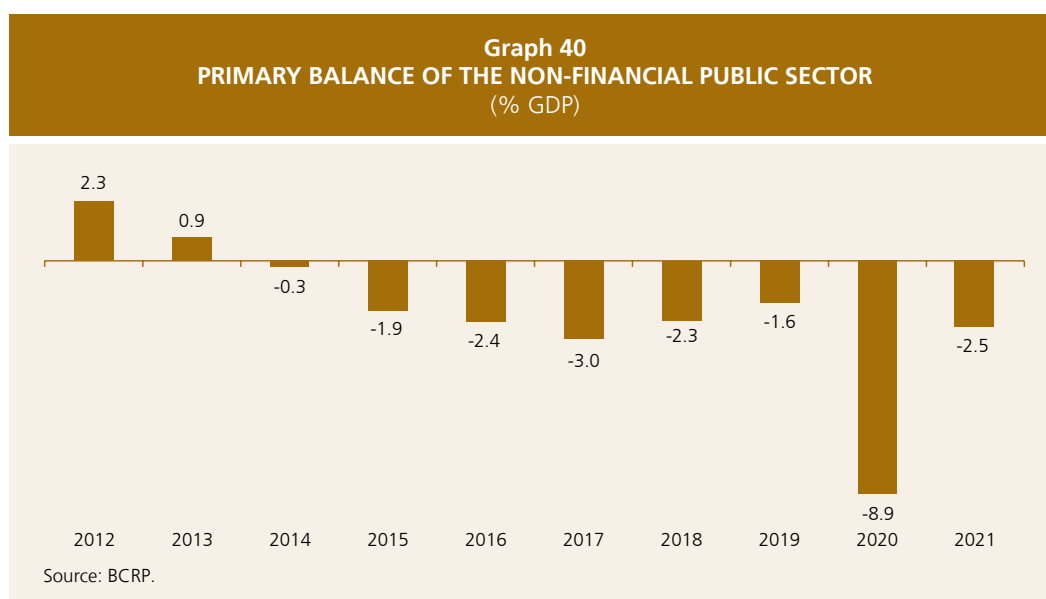


# PUBLIC FINANCES

The fiscal deficit represented 2.5 percent of GDP in 2021, 6.4 percentage points lower than that registered in 2020. This reduction reflected, to a greater extent, the increase in current revenues of the General Government, due to the recovery of economic activity, the favorable price cycle of export minerals and the collection of extraordinary revenues. To a lesser extent, both lower non-financial expenditures as a percentage of GDP, resulting from lower expenditure growth after the gradual withdrawal of the transitional measures adopted to mitigate the effects of the COVID-19 pandemic; and the primary surplus of state-owned enterprises, obtained mainly from the recovery of sales revenues, had a lesser influence.



**General Government current revenues grew** by 38.1 percent, in real terms, between 2020 and 2021, from 17.8 to 21.0 percent of GDP, due to the recovery of economic activity, the favorable international situation, as well as the extraordinary payment of tax debts. The 2021 current revenues to GDP ratio even exceeds the one registered in 2019 (19.6 percent), but it is still below the levels observed between 2011 and 2014.

**Non-financial expenditures of the General Government grew** by 5.1 percent in real terms, however, as a percentage of GDP they decreased from 24.6 to 22.2 percent, due to high nominal

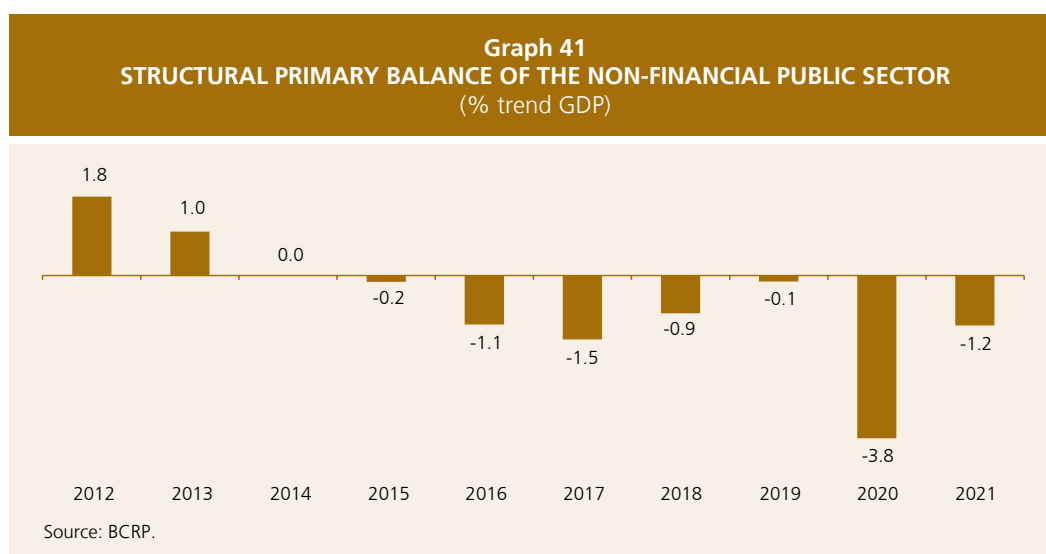
GDP growth (21.5 percent). The real increase in Non-financial expenditure is mainly explained by higher spending on gross capital formation and, to a lesser extent, by purchases of goods and services to address the health emergency. In contrast, spending on transfers and salaries contracted by 16.3 and 1.8 percent in real terms, respectively. Despite its lower dynamism, the 2021 ratio to GDP is the second highest in the Central Reserve Bank's historical record of fiscal aggregates since 1970.

<b>Table 47</b>						
<b>OVERALL BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR</b>						
	Million soles			% GDP		
	2019	2020	2021	2019	2020	2021
<b>1. Current revenues of the General Government</b>	<b>151,838</b>	<b>127,875</b>	<b>183,874</b>	<b>19.6</b>	<b>17.8</b>	<b>21.0</b>
a. Tax revenue	113,769	95,523	143,147	14.7	13.3	16.4
b. Non-tax revenue	38,069	32,352	40,727	4.9	4.5	4.7
<b>2. General Government non-financial expenditure</b>	<b>154,385</b>	<b>177,384</b>	<b>194,307</b>	<b>19.9</b>	<b>24.6</b>	<b>22.2</b>
a. Current	119,362	145,147	150,320	15.4	20.2	17.2
b. Capital	35,023	32,237	43,988	4.5	4.5	5.0
- Gross capital formation	30,440	27,076	36,934	3.9	3.8	4.2
- Others	4,583	5,161	7,054	0.6	0.7	0.8
<b>3. Others</b>	<b>654</b>	<b>-2,769</b>	<b>1,351</b>	<b>0.1</b>	<b>-0.4</b>	<b>0.2</b>
<b>4. Primary Balance (1-2+3)</b>	<b>-1,893</b>	<b>-52,278</b>	<b>-9,083</b>	<b>-0.2</b>	<b>-7.3</b>	<b>-1.0</b>
<b>5. Interests</b>	<b>10,664</b>	<b>11,499</b>	<b>13,200</b>	<b>1.4</b>	<b>1.6</b>	<b>1.5</b>
a. External debt	3,404	3,365	4,729	0.4	0.5	0.5
b. Domestic debt	7,260	8,133	8,471	0.9	1.1	1.0
<b>6. Overall Balance</b>	<b>-12,557</b>	<b>-63,777</b>	<b>-22,283</b>	<b>-1.6</b>	<b>-8.9</b>	<b>-2.5</b>
<b>7. Net financing</b>	<b>12,557</b>	<b>63,777</b>	<b>22,283</b>	<b>1.6</b>	<b>8.9</b>	<b>2.5</b>
1. External	4,677	34,349	53,370	0.6	4.8	6.1
<i>(Million US\$) (a-b+c)</i>	<i>\$1,398</i>	<i>\$9,773</i>	<i>\$13,705</i>			
a. Disbursements	\$1,863	\$9,477	\$13,961	0.8	4.6	6.2
b. Amortization	\$1,358	\$,292	\$,398	0.6	0.1	0.2
c. Others 1/	\$,893	\$,587	\$,142	0.4	0.3	0.1
2. Domestic	7,811	29,413	-31,103	1.0	4.1	-3.6
3. Privatization	69	15	16	0.0	0.0	0.0

1/ Includes exceptional financing and short-term financing.  
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises, and public institutions.

The **structural primary balance** is an indicator that makes it possible to identify the effect of fiscal policy decisions on the fiscal accounts. To this end, it seeks to exclude from the economic result factors that are beyond the authorities' control over tax collection, such as export prices or the economy's position in the cycle, as well as interest on public debt (which reflects past decisions on the government's liability position). In 2021, this indicator registered a deficit of 1.2 percent of trend GDP, 2.6 percentage points lower than in 2020, which would reflect the beginning of the withdrawal of the fiscal stimuli deployed in 2020, to address the COVID-19 pandemic.

However, the structural primary outcome in 2021 is more in deficit than that observed in the pre-pandemic year (2019) indicating that, with respect to that period, the fiscal stance has remained expansionary in 2021.



The **financial requirement** measures the resources needed by the Non-Financial Public Sector to finance the economic deficit and meet the amortization of domestic and foreign debt. In 2021, the requirement amounted to S/ 25,220 million, an amount equivalent to 2.9 percent of GDP. Resources came from external disbursements: global bond placements and credits from international organizations.

The decrease in financial requirements between 2020 and 2021, equivalent to 6.3 percentage points of GDP, is explained by the lower nominal fiscal deficit, in a context in which the effects of COVID-19 on the economy were dissipating.

**Table 48**  
**FINANCING OF THE NON-FINANCIAL PUBLIC SECTOR**

	Million soles			% GDP		
	2019	2020	2021	2019	2020	2021
<b>1. Overall Balance</b>	<b>-12,557</b>	<b>-63,777</b>	<b>-22,283</b>	<b>-1.6</b>	<b>-8.9</b>	<b>-2.5</b>
<b>2. Amortization</b>	<b>19,818</b>	<b>2,761</b>	<b>2,937</b>	<b>2.6</b>	<b>0.4</b>	<b>0.3</b>
Redemption of recognition bonds	950	498	627	0.1	0.1	0.1
Domestic debt	14,344	1,240	756	1.9	0.2	0.1
External debt 1/	4,524	1,024	1,554	0.6	0.1	0.2
<b>3. Financial requirements</b>	<b>32,375</b>	<b>66,538</b>	<b>25,220</b>	<b>4.2</b>	<b>9.2</b>	<b>2.9</b>
External disbursements	6,207	33,362	54,169	0.8	4.6	6.2
Freely disposable funds	3,727	32,412	53,028	0.5	4.5	6.1
Investment projects	2,480	950	1,140	0.3	0.1	0.1
Domestic bonds 1/	30,497	2,892	4,970	3.9	0.4	0.6
Privatization	69	15	16	0.0	0.0	0.0
Others 2/	-4,398	30,268	-33,935	-0.6	4.2	-3.9

1/ Amounts include operations of managing of approved debt.  
2/ Includes variation of deposits and floating, among other concepts.  
Source: MEF, Banco de la Nación, BCRP, SUNAT, EsSalud, local governments, state enterprises, and public institutions.

## 1. General Government Revenues

**General Government current revenues** were equivalent to 21.0 percent of GDP in 2021, a ratio 3.2 percentage points higher than that registered in 2020. The expansion in revenues was mostly due to tax revenues, which responded to the recovery of domestic demand, a favorable international situation, the low statistical comparison base in 2020, as well as the payment of tax debts in August, November, and December. This effect was reinforced by the increase, albeit of a lesser magnitude, in non-tax revenues.

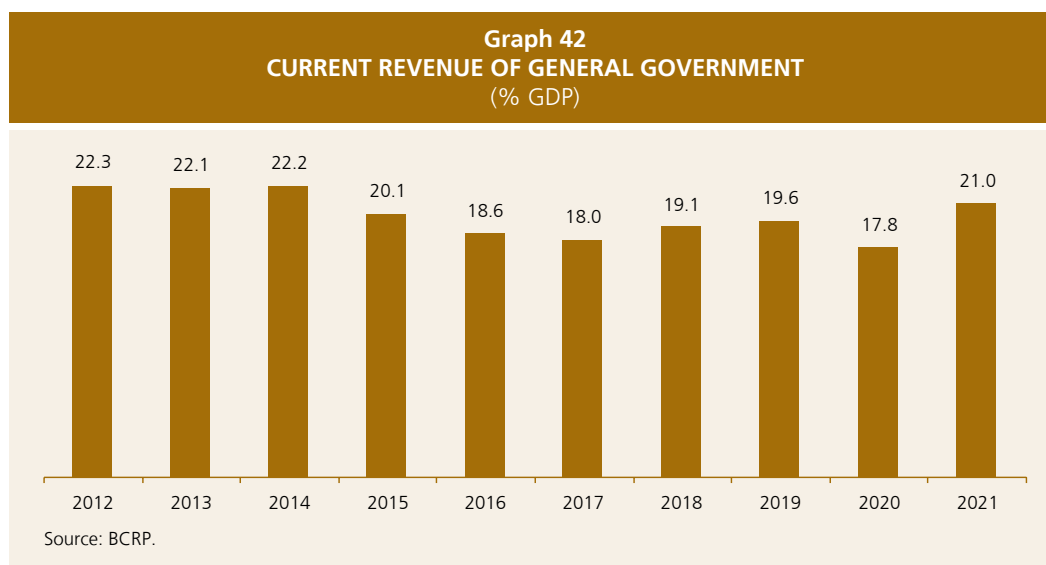
According to components, higher tax revenues are mainly explained by: (i) higher collection of the General Sales Tax (IGV), both internal and external; (ii) higher income tax revenues, mainly from legal entities, and from income tax regularization; and (iii) other tax revenues, including increases in collections from amnesty and regularization, Special Tax on Mining (IEM), Temporary Tax on Net Assets (ITAN) and fines. For its part, among non-tax revenues, the increase in revenues from mining royalties, canon and oil royalties, social contributions to EsSalud and ONP, and own resources stand out.

**Table 49**  
**GENERAL GOVERNMENT CURRENT REVENUES**

	Million soles			Real % change		% GDP		
	2019	2020	2021	2020	2021	2019	2020	2021
<b>I. TAX REVENUE</b>	<b>113,769</b>	<b>95,523</b>	<b>143,147</b>	<b>-17.5</b>	<b>44.0</b>	<b>14.7</b>	<b>13.3</b>	<b>16.4</b>
1. Income tax	44,015	38,167	54,877	-14.8	38.3	5.7	5.3	6.3
- Individuals	13,819	12,525	16,016	-11.0	22.9	1.8	1.7	1.8
- Legal entities	23,834	21,046	29,822	-13.3	36.0	3.1	2.9	3.4
- Tax regularization	6,363	4,596	9,040	-29.0	90.8	0.8	0.6	1.0
2. Import duties	1,424	1,159	1,464	-20.1	21.2	0.2	0.2	0.2
3. Value-added tax (VAT)	63,504	55,379	78,098	-14.4	35.5	8.2	7.7	8.9
- Domestic VAT	37,892	32,708	42,608	-15.2	25.2	4.9	4.5	4.9
- VAT on imports	25,613	22,671	35,490	-13.1	50.3	3.3	3.1	4.1
4. Excise tax	8,216	6,920	9,138	-17.3	26.9	1.1	1.0	1.0
- Fuels	3,212	2,970	3,648	-9.2	18.2	0.4	0.4	0.4
- Other	5,005	3,951	5,490	-22.4	33.4	0.6	0.5	0.6
5. Other income tax	14,660	11,081	19,393	-25.8	67.8	1.9	1.5	2.2
- National government	11,572	8,623	16,107	-26.8	79.0	1.5	1.2	1.8
- Local government	3,088	2,458	3,286	-21.8	28.7	0.4	0.3	0.4
6. Tax returns	-18,051	-17,182	-19,824	-6.5	10.9	-2.3	-2.4	-2.3
<b>II. NON-TAX REVENUES</b>	<b>38,069</b>	<b>32,352</b>	<b>40,727</b>	<b>-16.6</b>	<b>20.9</b>	<b>4.9</b>	<b>4.5</b>	<b>4.7</b>
1. Contributions to Essalud and ONP	17,262	15,970	18,054	-9.1	8.7	2.2	2.2	2.1
2. Oil, gas and mining royalty	2,741	2,150	6,062	-23.0	170.0	0.4	0.3	0.7
3. Oil Canon	1,687	1,137	2,600	-33.8	118.7	0.2	0.2	0.3
4. Other 1/	16,380	13,095	14,011	-21.5	2.9	2.1	1.8	1.6
<b>III. TOTAL (I+,II)</b>	<b>151,838</b>	<b>127,875</b>	<b>183,874</b>	<b>-17.3</b>	<b>38.1</b>	<b>19.6</b>	<b>17.8</b>	<b>21.0</b>

1/ Includes own resources, transfers from public entities, interests, income from regulatory, supervisors and registry bodies, among others.

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



**Income tax** collection expanded by 38.3 percent, in real terms, and was equivalent to 6.3 percent of GDP in 2021, 1.0 percentage point higher than that registered in 2020. This evolution was mainly due to higher income from domiciled legal entities and income tax regularization. Also, although to a lesser extent, income tax collection from individuals had an impact. These effects were partially offset by lower income from non-domiciled legal entities, due to the fact that, in May 2020, extraordinary income was registered corresponding to the sale of shares of a company in the electricity sector.

**Table 50**  
**INCOME TAX BY CATEGORY**  
(Million soles)

	2019	2020	2021	Real % chg.	
				2020	2021
<b>Individuals</b>	<b>13,819</b>	<b>12,525</b>	<b>16,016</b>	<b>-11.0</b>	<b>22.9</b>
First category (rentals)	624	503	616	-20.9	17.8
Second category (dividends)	2,412	1,842	3,835	-25.0	99.6
Fourth category (independents)	1,023	1,002	1,328	-3.8	27.3
Fifth category (dependents)	9,760	9,178	10,237	-7.6	7.3
<b>Legal entities</b>	<b>23,834</b>	<b>21,046</b>	<b>29,822</b>	<b>-13.3</b>	<b>36.0</b>
Domiciled	19,699	15,463	25,397	-22.9	57.7
Third category (companies)	17,679	13,804	22,786	-23.3	58.5
Others	2,019	1,659	2,611	-19.4	51.1
Of which: regime for micro and small businesses (MYPE)	1,409	1,168	1,941	-18.6	59.5
Non-domiciled	4,135	5,583	4,425	32.6	-23.9
<b>Regularization</b>	<b>6,363</b>	<b>4,596</b>	<b>9,040</b>	<b>-29.0</b>	<b>90.8</b>
Individuals	926	733	749	-22.4	-0.3
Legal entities	5,438	3,863	8,291	-30.2	108.0
<b>Total</b>	<b>44,015</b>	<b>38,167</b>	<b>54,877</b>	<b>-14.8</b>	<b>38.3</b>

Source: SUNAT.

The increase in **personal income** payments (22.9 percent) is explained by the recovery of employment and labor income, in line with the favorable evolution of domestic demand. The dividend distribution policy generated higher personal income revenues, mainly from mining and financial companies. For its part, the recovery of employment was reflected in higher fifth category income, which is paid by dependent workers, as well as fourth category income, due to the hiring of personnel by the public sector to face the health emergency.

The growth in **income** from **domiciled legal entities** (57.7 percent) was the result of the recovery of economic activity, high export mineral prices and the depreciation of the sol. This increase was also due to higher payment coefficients in some sectors, lower credit balances for a group of companies, mainly in the mining sector, and a higher number of taxpayers. This evolution was mainly due to the general or third category regime and, to a lesser extent, to other regimes. The increase in third-category income was seen in all sectors, with an expansion in the mining, commerce and manufacturing sectors being particularly noteworthy.

The contraction in **income tax** collection from **non-domiciled legal entities** (-23.9 percent) is explained by the fact that in May 2020 extraordinary revenues were registered, corresponding to the sales of assets of a company in the electricity sector (S/. 2.4 billion).

The increase in income tax **regularization** revenues (90.8 percent) is explained by higher mineral prices, which have been registered since 2020, as well as by extraordinary payments from mining companies and SUNAT's auditing actions.

Table 51 THIRD CATEGORY INCOME TAX BY SECTORS: PAYMENTS ON ACCOUNT (Million soles)					
	2019	2020	2021	Real % chg.	
				2020	2021
Mining	2,036	1,573	5,220	-24.1	218.1
Commerce	3,020	2,637	4,528	-14.3	64.7
Others services 1/	2,813	2,080	2,954	-27.3	36.4
Manufacturing	2,264	1,706	2,932	-26.0	65.1
Financial services	2,778	2,166	1,788	-23.3	-20.1
Electricity and water	1,498	1,296	1,536	-15.0	14.1
Transports	1,185	984	1,322	-18.4	29.0
Hydrocarbons	898	577	1,231	-36.9	104.1
Construction	1,079	734	1,107	-33.1	45.0
Fishing	89	35	103	-61.7	183.6
Agriculture and livestock	19	17	64	-10.7	255.8
<b>Total</b>	<b>17,679</b>	<b>13,804</b>	<b>22,786</b>	<b>-23.3</b>	<b>58.5</b>

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

**General Sales Tax (IGV)** collections registered a real expansion of 35.5 percent and accounted for 8.9 percent of output; 1.2 percentage points higher than in 2020. This evolution is mainly explained by the higher level of economic activity, as well as by a low comparison base, due to the effect of tax relief measures to face COVID-19 (e.g., the new Deferral and/or Fraccionamiento Regime-RAF) and



the payment of tax debts. By components, the increase was mainly due to the IGV applied to imports (50.3 percent), and to a lesser extent to the domestic IGV (25.2 percent).

**IGV revenue on imports grew** due to the recovery of domestic demand, which positively affected the volume of imports of consumer durables (motor vehicles, household appliances and furniture), oil, industrial inputs (plastics, iron and steel, textiles, and chemicals) and capital goods. This factor was compounded by higher food and fuel prices, as well as the depreciation of the sol.

Table 52 DOMESTIC VAT BY SECTORS (Million soles)					
	2019	2020	2021	Real % chg.	
				2020	2021
Others services 1/	11,655	9,602	12,363	-19.1	23.7
Commerce	7,558	7,178	8,676	-6.8	16.3
Manufacturing	5,181	4,793	5,837	-9.2	17.2
Transports	3,233	2,305	3,123	-29.9	30.0
Construction	2,807	1,983	2,909	-30.6	40.9
Financial services	2,462	2,644	2,660	5.4	-3.0
Mining	1,125	831	2,249	-27.5	159.5
Electricity and water	1,985	1,940	2,120	-4.0	5.1
Hydrocarbons	1,228	736	1,745	-41.2	126.9
Agriculture and livestock	515	602	741	14.5	18.2
Fishing	143	93	185	-35.9	91.7
<b>Total</b>	<b>37,892</b>	<b>32,708</b>	<b>42,608</b>	<b>-15.2</b>	<b>25.2</b>

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

**Selective Consumption Tax (ISC)** revenue grew by 26.9 percent in real terms, and represented 1.0 percent of GDP in 2021, the same percentage of GDP as in 2020. The increase was due to revenues from the ISC applied to fuels (18.2 percent), mainly imported fuels; and also, from the ISC applied to the rest of taxed products (33.4 percent), including higher revenues from the sale of beer and soft drinks.

**Import tax** revenues registered a real growth rate of 21.2 percent and represented 0.2 percent of GDP. This result was influenced by higher imports (higher import volume and prices) and the depreciation of the PEN, especially imports of consumer durables; raw materials and capital goods for industry; fuels, lubricants, and related products; and transportation equipment and construction materials.

**Other tax revenues registered** a real expansion of 67.8 percent and represented 2.2 percent of GDP; 0.7 percentage points higher than in 2020. This evolution is mainly explained by the amnesty and regularization items, and fines, associated with the payment of tax debts, SUNAT audit actions and resolutions of the Tax Court, as well as payments under the new RAF. To a lesser extent, higher revenues from IEM and ITAN had a lesser influence. It is worth noting that a recovery was registered in revenues from the road tax and from casinos and slot machines, consistent with the resumption of activity in these sectors.

**Tax refunds grew** by 10.9 percent, in real terms, and represented 2.3 percent of GDP. The higher level of refunds corresponds mainly to refunds for exports, and to a lesser extent for *drawback*, effects that were partially offset by lower refunds due to the early recovery of the IGTV.

**Non-tax revenues** expanded by 20.9 percent in real terms, and represented 4.7 percent of GDP, 0.2 percentage points higher than in 2020. This result was due to higher revenues from mining royalties, canon and oil royalties, social contributions and own resources, effects that were partially mitigated by the lower level of transfers from the Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado (FONAFE). In 2020, FONAFE transferred profits for S/ 1.9 billion, due to the financing requirements of the Public Treasury, within the framework of the sanitary emergency, while in 2021 only S/ 400 million were transferred.

## 2. General Government Expenses

**Non-financial expenditure by the General Government grew** by 5.1 percent in real terms, although as a percentage of GDP it declined by 2.4 percentage points. The growth rate was driven by higher spending on gross capital formation, reflecting the restart of activities and projects halted in 2020, and progress on projects under the Reconstruction category, to address the health emergency and reactivation, as well as by increased spending on goods and services for the procurement of medical supplies, hiring of health personnel and purchase of equipment, and the recovery of non-COVID-19 spending. In contrast, spending on current transfers contracted by 16.3 percent, from 5.8 to 4.2 percent of GDP, mainly in the National Government, reflecting the lower level of subsidies to households, among others.

It is estimated that the general government's non-financial expenditure to face the health emergency and for reactivation would have amounted to S/. 27.8 billion, lower than in 2020 (S/. 29.1 billion). This reduction corresponds to the lower expenditure in reactivation (-S/ 2.0 billion), in the three items of current expenditure and in other capital expenditure, partially offset by the higher expenditure in gross capital formation under the Arranca Perú program (S/ 1.1 billion), mainly from local governments. COVID-19 containment spending grew (S/ 0.7 billion), with higher spending on goods and services (S/ 5.4 billion), mainly on medical supplies and personnel hiring, and to a lesser extent on gross capital formation and salaries, partially offset by lower current transfers (S/ 5.3 billion), mainly due to a reduction in subsidies granted to households.

**General Government current expenditures** decreased by 0.6 percent, in real terms, from 20.2 to 17.2 percent of GDP expenditure between 2020 and 2021. This reduction is mainly explained by lower current transfers.

The **compensation** component decreased by 1.8 percent in real terms between 2020 and 2021, reflecting higher inflation in 2021. In nominal terms, this component increased by 2.2 percent, highlighting higher spending by Regional Governments. This is explained by higher payments to teachers and health personnel at this level of government. Meanwhile, the decrease observed for the National Government reflects lower payments of bonuses for economic reactivation in the Health, Interior, Education and Defense sectors.

Spending on the **acquisition of goods and services grew** by 13.9 percent in real terms, mainly in the National Government and, to a lesser extent, in the Regional Governments. Among goods, the acquisition of medical supplies stands out, and among services, the hiring of CAS personnel and professional and technical services. The dynamics is also explained by the recovery of non-COVID-19 spending, affected in 2020 by measures to address the pandemic.





**Transfers** contracted by 16.3 percent in real terms, a decline that was generalized across all three levels of government, with the National Government standing out. The reduction is mainly explained by the lower level of subsidies to households, granted with respect to 2020, to face the COVID-19 pandemic, and by a drop in transfers for the reduction of vulnerability and attention to disaster emergencies.

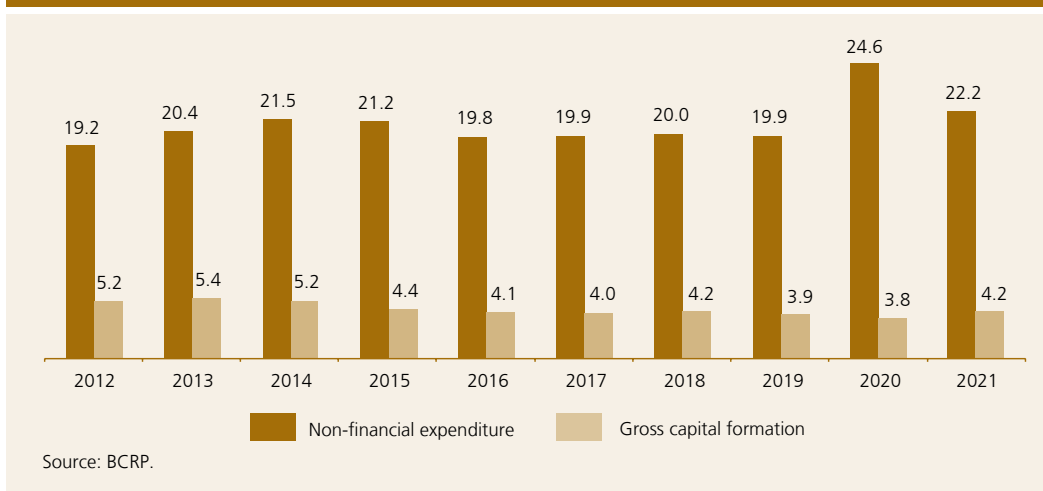
General Government **gross capital formation** increased by 30.9 percent in real terms, between 2020 and 2021, mainly from the National Government and Local Governments. The growth was due to the dynamism of the different groups of projects and activities (Reconstruction and COVID-19 response projects, Arranca Peru and other projects), as well as a reduced comparison base due to the halt in execution due to the quarantine in 2020.

**Other capital expenditures** increased by 31.0 percent in real terms, explained by higher transfers to the National Urban Sanitation Program, the Family Housing Bond, Compensation to Good Payer, as well as the honoring of loan guarantees.

<b>Table 53</b>									
<b>GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE 1/</b>									
	Million soles			Real % chg.		% GDP			
	2019	2020	2021	2020	2021	2019	2020	2021	
<b>I. CURRENT EXPENDITURE</b>	<b>119,362</b>	<b>145,147</b>	<b>150,320</b>	<b>19.4</b>	<b>-0.6</b>	<b>15.4</b>	<b>20.2</b>	<b>17.2</b>	
<b>Wages and salaries</b>	<b>49,151</b>	<b>53,046</b>	<b>54,232</b>	<b>6.0</b>	<b>-1.8</b>	<b>6.3</b>	<b>7.4</b>	<b>6.2</b>	
National government	28,150	29,924	29,637	4.4	-4.8	3.6	4.2	3.4	
Regional governments	18,580	20,597	21,968	8.8	2.4	2.4	2.9	2.5	
Local governments	2,421	2,525	2,628	2.4	0.0	0.3	0.4	0.3	
<b>Goods and Services</b>	<b>45,301</b>	<b>50,038</b>	<b>59,414</b>	<b>8.4</b>	<b>13.9</b>	<b>5.8</b>	<b>7.0</b>	<b>6.8</b>	
National government	31,504	31,520	39,313	-1.8	19.7	4.1	4.4	4.5	
Regional governments	5,186	6,562	7,655	24.2	11.8	0.7	0.9	0.9	
Local governments	8,610	11,956	12,446	36.2	-0.1	1.1	1.7	1.4	
<b>Transfers</b>	<b>24,911</b>	<b>42,064</b>	<b>36,674</b>	<b>65.7</b>	<b>-16.3</b>	<b>3.2</b>	<b>5.8</b>	<b>4.2</b>	
National government	20,864	37,862	32,458	78.0	-17.7	2.7	5.3	3.7	
Regional governments	3,089	3,244	3,370	3.1	-0.4	0.4	0.5	0.4	
Local governments	957	958	845	-1.7	-15.1	0.1	0.1	0.1	
<b>II. CAPITAL EXPENDITURE</b>	<b>35,023</b>	<b>32,237</b>	<b>43,988</b>	<b>-9.7</b>	<b>30.9</b>	<b>4.5</b>	<b>4.5</b>	<b>5.0</b>	
<b>Gross Capital Formation</b>	<b>30,440</b>	<b>27,076</b>	<b>36,934</b>	<b>-12.7</b>	<b>30.9</b>	<b>3.9</b>	<b>3.8</b>	<b>4.2</b>	
National government	11,617	9,821	14,131	-17.1	38.2	1.5	1.4	1.6	
Regional governments	6,209	5,971	7,084	-5.6	13.8	0.8	0.8	0.8	
Local governments	12,613	11,284	15,719	-12.3	33.6	1.6	1.6	1.8	
<b>Other capital expenditure</b>	<b>4,583</b>	<b>5,161</b>	<b>7,054</b>	<b>10.6</b>	<b>31.0</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	
National government	4,746	5,095	6,773	5.4	27.4	0.6	0.7	0.8	
Regional governments	146	144	162	-2.9	7.4	0.0	0.0	0.0	
Local governments	-309	-78	119	n.a.	n.a.	0.0	0.0	0.0	
<b>III. NON FINANCIAL EXPENDITURE (I + II)</b>	<b>154,385</b>	<b>177,384</b>	<b>194,307</b>	<b>12.8</b>	<b>5.1</b>	<b>19.9</b>	<b>24.6</b>	<b>22.2</b>	
National government	96,882	114,221	122,312	15.7	2.8	12.5	15.9	14.0	
Regional governments	33,211	36,518	40,238	7.9	5.7	4.3	5.1	4.6	
Local governments	24,292	26,645	31,757	7.6	14.4	3.1	3.7	3.6	

1/ Net of commissions and intergovernmental transfers.  
Source: Ministry of Economy and Finance (MEF).

**Graph 43**  
**GENERAL GOVERNMENT NON-FINANCIAL EXPENDITURE AND GROSS CAPITAL FORMATION**  
(% GDP)



## National Government

**Non-financial expenditures of the National Government** represented 14.0 percent of GDP, a ratio 1.9 percentage points lower than that registered in 2020, due to the high growth of nominal GDP. In real terms, expenditures at this governmental level increased by 2.8 percent, explained by higher capital expenditures and current expenditures on goods and services. This dynamic was partially offset by lower spending on transfers and remunerations.

Spending on **salaries** decreased by 4.8 percent in real terms, from 4.2 to 3.4 percent of GDP expenditure between 2020 and 2021, mainly reflecting the inflation registered during the year. It should be noted that lower bonus payments for economic reactivation were registered in the Health, Interior, Education and Defense sectors.

Spending on **goods and services grew** by 19.7 percent in real terms, from 4.4 to 4.5 percent of GDP between 2020 and 2021. The higher procurement of goods and services is explained by the recovery of non-COVID-19 spending, which was affected in 2020 by the pandemic, and the suspension of procurement processes, as well as by the higher level of health response (purchase of medical supplies and hiring of CAS personnel) in 2021.

Spending on **current transfers** contracted by 17.7 percent in real terms, from 5.3 to 3.7 percent of GDP between 2020 and 2021. This reduction is mainly due to the lower level of monetary subsidies to households under the state of emergency. Transfers for various types of bonds in 2020 (universal family, to independent workers, among others), were higher than those granted in 2021 (Yanapay and 600 bonds). Likewise, in 2021, a lower level of transfers to executing units and for vulnerability reduction and disaster emergency assistance were registered. This was offset, in part, by higher transfers to the Petroleum Fuel Price Stabilization Fund.

**Gross capital formation** expanded 38.2 percent in real terms, from 1.4 to 1.6 percent of GDP between 2020 and 2021, due to the restart of public works paralyzed by the quarantine in 2020 and the significant progress of Reconstruction projects. The year registered a greater execution of projects and activities of the Ministry of Transportation and Communications, the Presidency of the Council of Ministers and, to a lesser extent, the Ministry of Education, the Ministry of Energy and Mines and the Universities, concentrated in road and communications infrastructure,

education, rural electrification, drinking water and sewerage, and wastewater treatment, among others.

According to groups of projects and activities, the execution of investments in Reconstruction and the rest of the projects stand out. The Reconstruction projects under the Government-to-Government Agreement with the United Kingdom that stand out are: the Sullana Support Hospital in Piura and the flood protection works (on both banks of the Tumbes River, the El León ravine in La Libertad and the banks of the Lacramarca River in Ancash). Projects outside this Agreement include sections 1, 2 and 3 of the Autopista del Sol highway in Piura and Lambayeque, and the Pallasca-Santiago de Chuco highway in Ancash and La Libertad.

For its part, within the remaining group of projects, the execution of Line 2 of the Lima and Callao Metro, the Chinchero international airport, the Bellavista-El Estrecho highway in Loreto, the Oyón-Ambo highway in Huánuco-Lima and the Pasco highway in Pasco stood out, Huánuco-Conococha, Santa María-Machu Picchu hydroelectric bridge, the wide strips in Junín, Puno and Cusco, and the drinking water and sewerage projects in Chorrillos and Huarochirí, under the responsibility of the Ministry of Housing, Construction and Sanitation.

In the group of COVID-19 response projects, the acquisition of *tablets* by the Ministry of Education and of medical assets (e.g., ICU beds) by the Ministry of Health stood out.

<b>Table 54</b>					
<b>GROSS CAPITAL FORMATION OF THE GENERAL GOVERNMENT</b>					
<b>(Million soles)</b>					
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>% chg. 21/20</b>	<b>% chg. 21/19</b>
<b>National government</b>	<b>11,617</b>	<b>9,821</b>	<b>14,131</b>	<b>43.9</b>	<b>21.6</b>
Reconstruction	475	1,153	2,822	144.7	493.9
COVID-19	0	616	866	40.6	n.a.
Arranca Peru Program	0	10	4	-55.1	n.a.
Rest	11,142	8,042	10,438	29.8	-6.3
<b>Regional governments</b>	<b>6,209</b>	<b>5,971</b>	<b>7,084</b>	<b>18.7</b>	<b>14.1</b>
Reconstruction	442	674	619	-8.2	40.0
COVID-19	0	208	288	38.5	n.a.
Arranca Peru Program	0	40	75	85.2	n.a.
Rest	5,767	5,048	6,102	20.9	5.8
<b>Local Government</b>	<b>12,613</b>	<b>11,284</b>	<b>15,719</b>	<b>39.3</b>	<b>24.6</b>
Reconstruction	1,660	1,557	2,770	77.9	66.8
COVID-19	0	15	26	77.5	n.a.
Arranca Peru Program	0	644	1,744	170.8	n.a.
Rest	10,953	9,068	11,179	23.3	2.1
<b>TOTAL</b>	<b>30,440</b>	<b>27,076</b>	<b>36,934</b>	<b>36.4</b>	<b>21.3</b>
Reconstruction	2,577	3,385	6,211	83.5	141.0
COVID-19	0	839	1,180	40.7	n.a.
Arranca Peru Program	0	694	1,824	162.6	n.a.
Rest	27,863	22,158	27,720	25.1	-0.5

Source: MEF.

**Table 55**  
**MAIN INVESTMENT PROJECTS OF THE NATIONAL GOVERNMENT: 2021**  
(Million soles)

MAIN PROJECTS	Amount
<b>TRANSPORT 1/</b>	<b>5,560</b>
Line 2 of the Lima and Callao Metro	498
Chincheró International Airport	459
Bellavista Highway - The Strait, Loreto	239
Highway Oyón - Ambo, Huanuco - Lima - Pasco	202
Highway del Sol: Section 2 (Olmos River - La Niña), Piura - Lambayeque (Reconstruction)	199
Highway del Sol: Section 1 (La Leche River - Mórrope), Piura - Lambayeque (Reconstruction)	179
Highway Huánuco - Conococha, Huánuco	176
Highway Santa María - Machu Picchu Hydroelectric Bridge	147
Broadband, Junín	122
Broadband, Puno	114
Highways of Pro Region Puno	95
Highway del Sol: Section 3 (Cascajal River - Piura River), Piura - Lambayeque (Reconstruction)	94
Highway Pallasca - Santiago de Chuco, Ancash - La Libertad (Reconstruction)	84
Highway Chimbote - Tocache, San Martín	78
Broadband, Cusco	76
Bypass road in the city of Abancay, Apurímac	74
Creation of the Ollachea Tunnel, Puno	73
Rest	2,652
<b>EDUCATION</b>	<b>2,148</b>
Acquisition of tablets	598
Installed capacity for preparedness and response to emergencies and disasters	166
Educational institutions with conditions for the fulfillment of regulated teaching hours	98
Rest	1,286
<b>RECONSTRUCTION - GOVERNMENT TO GOVERNMENT WITH UNITED KINGDOM</b>	<b>1,988</b>
Hospital Apoyo II-2 Sullana, Piura	149
Protection against flooding on both margins of the Tumbes River, Tumbes	84
Protection against flooding of the ravine El León, La Libertad	80
Protection on the margins of the Lacramarca River against flood hazards, Ancash	72
Protection against flooding on both margins of the Huarmey River, Ancash	69
Hospital Apoyo Pomabamba Antonio Caldas Domínguez, Ancash	66
Hospital Apoyo Yungay, Ancash	61
Hospital Apoyo Chulucanas, Piura	54
Rest	1,353
<b>AGRICULTURE</b>	<b>921</b>
Eradication of the fruit fly in Piura, Tumbes, Cusco and other	90
Water residues in 10 basins, Lima	54
Amojao irrigation project, Amazonas	46
New headquarters of the Ministry of Agriculture and Irrigation in the city of Lima	45
Rest	686
<b>SANITATION</b>	<b>886</b>
Drinking water and sewage in Chorrillos, Lima	167
Drinking water and sewage in Huarochirí, Lima	82
Sewage treatment of Sullana and Bellavista, Piura	70
Drinking water and sanitation in Coata and others, Puno	28
Drinking water and sewage in La Quebrada Manchay 3rd stage, Lima	24
Drinking water and sewage in sectors 136 and 137 in Lurigancho, Lima	17
New drinking water treatment plant in Calana, Tacna	16
Drinking water and sanitation of 103 Caseríos, Piura	16
Drinking water systems dependent on the N-31 reservoir of the Cerro Colorado district, Arequipa	15
Rest	450
<b>HEALTH</b>	<b>551</b>
Acquisition of medical assets, Lima	130
Regional Hospital Zacarías Correa, Huancavelica	48
Health facility Llata, Huánuco	34
Acquisition of medical assets, Ica	18
Acquisition of high flow therapy equipment, Lima	18
Health facility Progreso, Ancash	17
Rest	287
<b>OTHER</b>	<b>2,077</b>
<b>TOTAL</b>	<b>14,131</b>

1/ Payments for works carried out in previous years under the concession scheme, payments for expropriations, land releases and works progress.

Source: MEF.

In 2021, the National Government's **other capital expenditures grew** by 27.4 percent in real terms, from representing 0.7 to 0.8 percent of GDP between 2020 and 2021, mainly reflecting higher transfers to the National Urban Sanitation Program, the Family Housing Bond, and the honoring of loan guarantees.

## Regional Governments

**Non-financial expenditures of Regional Governments** represented 4.6 percent of GDP, 0.5 percentage points of GDP lower than in 2020, reflecting a high nominal GDP. In real terms, expenditures expanded by 5.7 percent, due to growth in gross capital formation, higher purchases of goods and services, and compensation expenditures.

<b>Table 56</b>					
<b>INVESTMENT OF REGIONAL GOVERNMENTS</b>					
(Million soles)					
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>% chg. 21/20</b>	<b>% chg. 21/19</b>
La Libertad	153	176	231	31.6	50.8
Lambayeque	169	287	187	-34.9	10.7
Piura	453	648	551	-14.9	21.6
Tumbes	56	62	88	43.1	57.4
Cajamarca	172	146	281	92.9	63.2
<b>TOTAL NORTH</b>	<b>1,004</b>	<b>1,318</b>	<b>1,339</b>	<b>1.6</b>	<b>33.4</b>
Áncash	234	209	266	27.5	13.7
Callao	34	81	110	36.7	227.5
Huancavelica	196	154	240	55.2	22.0
Huánuco	281	240	262	9.4	-6.9
Ica	125	96	174	81.6	39.3
Junín	230	252	323	28.2	40.5
Lima	329	253	283	11.5	-14.2
Pasco	241	155	181	17.1	-24.8
<b>TOTAL CENTER</b>	<b>1,671</b>	<b>1,440</b>	<b>1,839</b>	<b>27.7</b>	<b>10.0</b>
Apurímac	266	219	244	11.1	-8.5
Arequipa	473	405	536	32.3	13.3
Ayacucho	282	293	404	38.0	43.1
Cusco	411	372	582	56.4	41.4
Moquegua	136	149	169	13.4	23.8
Puno	263	230	208	-9.4	-20.8
Tacna	188	232	213	-8.1	13.4
<b>TOTAL SOUTH</b>	<b>2,021</b>	<b>1,900</b>	<b>2,356</b>	<b>24.0</b>	<b>16.6</b>
Amazonas	204	280	289	3.4	42.0
Loreto	337	372	581	56.4	72.2
Madre De Dios	168	114	140	22.7	-16.8
San Martín	303	258	239	-7.4	-21.2
Ucayali	501	290	301	3.9	-39.9
<b>TOTAL EASTERN</b>	<b>1,513</b>	<b>1,313</b>	<b>1,550</b>	<b>18.1</b>	<b>2.5</b>
<b>TOTAL</b>	<b>6,209</b>	<b>5,971</b>	<b>7,084</b>	<b>18.7</b>	<b>14.1</b>

Source: MEF.

**Compensation** spending registered a 2.4 percent increase in real terms, while in terms of output it went from 2.9 to 2.5 percent between 2020 and 2021, due to the higher increase in nominal GDP. The increase in real terms is mainly explained by salary increases for the Education sector, in November 2020, and by payments to teachers and health personnel due to court rulings.

Spending on **goods and services grew** by 11.8 percent in real terms, and in terms of output remained at 0.9 percent over 2020. The increase was a product of higher response spending versus COVID-19, which amounted to S/ 2.8 billion in 2021 versus S/ 1.5 billion in 2020, mainly in CAS personnel and, to a lesser extent in professional and technical services.

Spending on **current transfers** registered a slight contraction of 0.4 percent in real terms, from 0.5 to 0.4 percent of GDP between 2020 and 2021.

**Gross capital formation** expanded by 13.8 percent in real terms, remaining constant as a ratio of GDP (0.8 percent). In 2021, Regional Government investment spending grew in most departments, highlighting higher investments in Cusco, Loreto, Cajamarca, Arequipa and Ayacucho. On the contrary, it contracted in Lambayeque, Piura, Puno, Tacna and San Martín.

The execution of Regional Government projects amounted to S/. 7,084 million at the end of 2021, an amount S/ 1,114 million higher than the amount executed in 2020. According to groups of projects and activities, there was an increase in the execution of other projects and, to a lesser extent, COVID-19 and Arranca Perú; on the contrary, the expenditure incurred in Reconstruction projects decreased.

Among the rest of the projects, he highlighted the execution of the express road to the city of Cusco; the Ernesto Guzmán hospital in Pasco and the mother and child hospital in Puno; and the Bambamarca-Piñón highway in Cajamarca and Campo Verde-Nueva Requena in Ucayali. He also highlighted the execution of equipment projects to face COVID-19 (ICU beds, mechanical ventilators, vital function monitors, oxygen generators and ambulances, among others). For its part, within the framework of Reconstruction, a lower accrual was registered for the Piura River, Los Ejidos-Puente Cáceres section and PI-110 departmental road, Ayabaca junction in Piura, which had registered a high level of progress in their execution.

## Local Governments

In 2021, **Non-financial expenditures of Local Governments** accounted for 3.6 percent of GDP, a ratio 0.1 percentage point of output lower than in 2020. In real terms, Non-financial expenditures of this level of government grew by 14.4 percent, due to the higher level of gross capital formation, and other capital expenditures. This evolution was offset by lower current spending on salaries, goods and services, and transfers.

Spending on **salaries** remained unchanged in real terms, while in nominal terms it increased by 4.1 percent, mainly due to higher payments to municipal workers and administrative personnel. Acquisitions of **goods and services** decreased by 0.1 percent in real terms, but registered a nominal increase of 4.1 percent, reflecting higher expenditures on maintenance, conditioning, and repair services, as well as on training and development services, data processing and computer services, office materials and supplies, acquisition of spare parts and accessories, and CAS personnel. On the other hand, **transfers** decreased by 15.1 percent in real terms, explained by lower transfers for the purchase of food for social programs and lower payments for pensions and other social benefits.



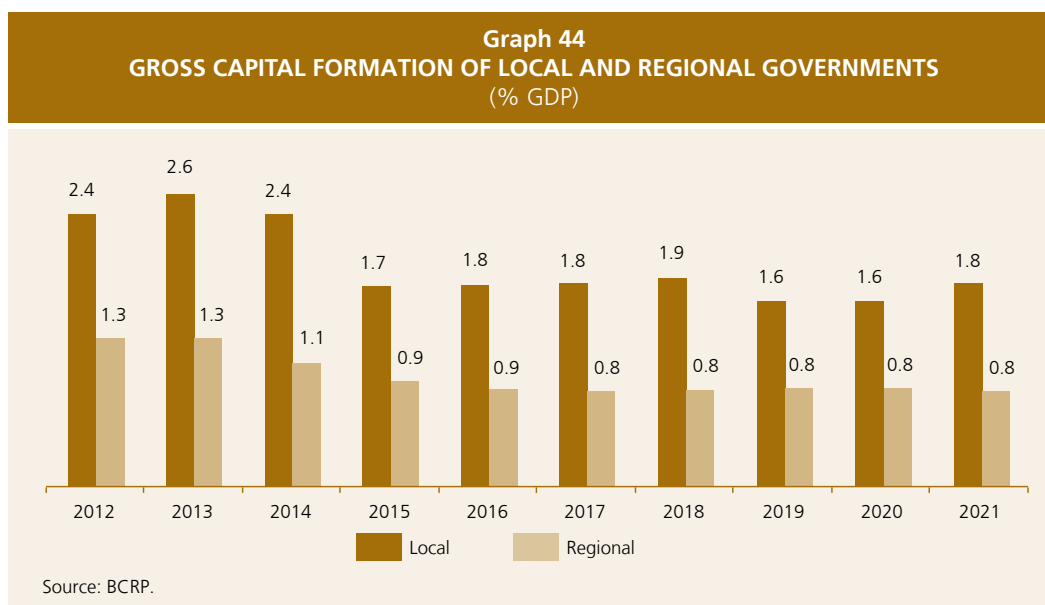
**Gross capital formation** expanded by 33.6 percent in real terms, from 1.6 to 1.8 percent of GDP between 2020 and 2021. In 2021, local government investment, grouped by department, grew in all departments, except for Pasco. This growth occurred mainly in the North, South and Central zones, and to a lesser extent in the East zone. By department, the largest increases were registered in Ancash, Cajamarca, Cusco, Piura, La Libertad, Arequipa and Lambayeque.

According to groups of projects, an increase was observed in all of them, highlighting those under Reconstruction, Arranca Perú and the rest of the projects. In Reconstruction, the execution of educational infrastructure projects, river defenses and rehabilitation of roads and sidewalks stood out, and within the framework of Arranca Perú, the execution of projects for Investment in Optimization, Marginal Expansion, Replacement and Rehabilitation (IOARR), mainly in the Sanitation and Housing and Urban Development functions. Finally, in the rest of the projects group, the Northern Section of the Metropolitano (from Naranjal to Chimpu Ocllo) in Lima is the most important project.

**Table 57**  
**INVESTMENT OF LOCAL GOVERNMENTS**  
(Million soles)

	2019	2020	2021	% chg. 21/20	% chg. 21/19
La Libertad	988	789	1,197	51.6	21.1
Lambayeque	214	226	432	91.5	101.9
Piura	972	903	1,332	47.5	37.0
Tumbes	77	93	122	30.5	57.6
Cajamarca	748	703	1,150	63.6	53.7
<b>TOTAL NORTH</b>	<b>2,999</b>	<b>2,714</b>	<b>4,233</b>	<b>55.9</b>	<b>41.1</b>
Áncash	774	743	1,253	68.8	61.9
Callao	96	71	95	32.4	-1.5
Huancavelica	345	292	435	48.9	26.1
Huánuco	391	328	427	30.3	9.3
Ica	246	193	323	67.3	31.7
Junín	471	377	502	33.1	6.7
Lima	1,663	1,648	1,745	5.9	4.9
Pasco	160	142	134	-5.2	-16.3
<b>TOTAL CENTER</b>	<b>4,145</b>	<b>3,794</b>	<b>4,915</b>	<b>29.5</b>	<b>18.6</b>
Apurímac	457	367	550	49.7	20.5
Arequipa	665	693	977	41.1	46.9
Ayacucho	681	616	783	27.1	14.9
Cusco	1,598	1,224	1,661	35.6	3.9
Moquegua	197	150	246	64.5	25.1
Puno	527	468	646	38.1	22.5
Tacna	146	180	349	94.0	139.7
<b>TOTAL SOUTH</b>	<b>4,271</b>	<b>3,698</b>	<b>5,212</b>	<b>41.0</b>	<b>22.0</b>
Amazonas	232	198	258	30.2	11.1
Loreto	288	304	350	15.4	21.6
Madre de Dios	39	54	65	19.5	64.5
San Martín	406	371	507	36.7	24.8
Ucayali	232	151	180	18.8	-22.7
<b>TOTAL EASTERN</b>	<b>1,198</b>	<b>1,078</b>	<b>1,359</b>	<b>26.1</b>	<b>13.5</b>
<b>TOTAL</b>	<b>12,613</b>	<b>11,284</b>	<b>15,719</b>	<b>39.3</b>	<b>24.6</b>

Source: MEF and BCRP.



### 3. State-owned enterprises

In 2021, the **economic result, on a cash basis, of state-owned enterprises** amounted to S/ 140 million, which contrasts with the deficit result registered in 2020 (S/ 3,973 million). This result is mainly explained by the lower deficit of the remaining companies, due to the lower transfer of profits from the Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado-FONAFE to the Public Treasury (S/ 1.9 billion in 2020, of which S/ 1.5 billion corresponded to an extraordinary transfer due to the COVID-19 pandemic, compared to S/ 400 million in 2021), from the regional electricity companies and from PetroPerú, due to higher revenues.

By component, the improvement in state-owned companies' revenues, mainly from sales, reflected the recovery of economic activity, the evolution of crude oil and derivatives prices in the international market, and the increase in tariffs and transfers to companies, among others. This grew more than offset the increase in current spending, in particular on goods and services and taxes, as well as interest on debt and, to a lesser extent, capital expenditures.

**Table 58**  
**OVERALL BALANCE OF STATE ENTERPRISES**

	Million soles			% GDP		
	2019	2020	2021	2019	2020	2021
PetroPerú	-1,876	-2,012	-1,107	-0.2	-0.3	-0.1
ElectroPerú	-184	248	324	0.0	0.0	0.0
Regional Electricity Companies	579	-30	1,131	0.1	0.0	0.1
Sedapal	36	44	133	0.0	0.0	0.0
Others	-318	-2,222	-341	0.0	-0.3	0.0
<b>TOTAL</b>	<b>-1,763</b>	<b>-3,973</b>	<b>140</b>	<b>-0.2</b>	<b>-0.6</b>	<b>0.0</b>

Source: State enterprises, FONAFE, and MEF.





**PetroPerú registered a deficit of S/ 1,107 million, S/ 905 million lower than in 2020.** This result was influenced by the growth in sales revenues (S/ 5.9 billion), due to higher prices (50.4 percent), as a result of the favorable international price cycle; in addition, there was a recovery in sales volumes (1.7 percent) and in the market share of some of the company's products. Capital revenues (S/ 536 million), as a result of the placement of corporate bonds in February at a price above par, and lower capital expenditures (S/ 176 million), in particular in gross capital formation, also contributed.

The reduction in gross capital formation corresponded to the Talara refinery modernization project, which at the end of 2021 registered an overall physical progress of 96.8 percent: the process units showed a progress of 98.7 percent and the auxiliary and complementary units a development of 91.2 percent. The new refinery is expected to start operating gradually from April 2022.

Between 2020 and 2021, the growth in expenditure on goods and services (S/ 5.7 billion) corresponds to higher volumes (2.4 percent) and average purchase prices (72.6 percent). On the other hand, both sales revenues and expenditure on goods and services are lower than in 2019.

**ElectroPerú registered a surplus of S/. 324 million, S/. 76 million higher than in 2020.** This is explained by higher current revenues, both from sales and other revenues, which more than offset the higher expenditures for current expenses, in particular in goods and services, taxes and other expenses. The growth in sales revenues (S/ 580 million) is due to higher sales to end customers (13.3 percent) and distribution companies (3.7 percent), while the growth in other revenues (S/ 249 million) is mainly explained by an arbitration award in favor of the State in a dispute with Enel; in addition to the respective interest (S/ 189 million).

For its part, the increase in expenses for goods and services (S/ 310 million) corresponds to higher own purchases of energy (34.7 percent) and the payment of tolls for own account (9.1 percent), while other expenses (S/ 257 million) are due to the higher payment of dividends to the Consolidated Reserves Fund-CRF (S/ 197 million in 2020 compared to S/ 424 million in 2021). Likewise, a higher tax payment was registered (S/ 174 million) for taxes and contributions on its own account.

**The regional electricity companies registered an economic cash surplus of S/. 1,131 million, which contrasts with the deficit registered in 2020 (S/. 30 million).** This result is explained by higher current revenues, mainly sales revenues, which more than offset higher expenditures for current expenses, in particular in goods and services and tax payments, as well as capital expenditures.

The growth in sales revenues (S/ 2.0 billion) reflected both the recovery of economic activity, the transfer made to these companies in January and February for the balance of the electricity bond (DU N° 074-2020), and the recovery of collections postponed due to the COVID-19 pandemic. For its part, the increase in expenditures for goods and services (by S/ 708 million) is explained by items such as higher energy purchases (10.3 percent); taxes (by S/ 125 million) due to the higher payment of taxes and contributions on its own account; and capital expenditures (by S/ 101 million) due to a higher execution of investment projects.

**Sedapal obtained a surplus of S/ 133 million, S/ 89 million higher than in 2020.** This result was influenced by higher revenues from sales and capital revenues, which overcompensated the growth

in current revenues, in particular in goods and services, and capital expenditures, especially in gross capital formation.

The increase in sales revenues (S/ 307 million) reflected the increase in tariffs at the end of 2020, and between February and October 2021, partially offsetting the lower marketing volume (4.3 percent); while the higher capital revenues (S/ 281 million) correspond to transfers from the Ministry of Housing, Construction and Sanitation-MCVS (S/ 327 million) for the replenishment of the Investment Fund (S/ 198 million), and the execution of investment projects.

The increase in expenditures for current expenses (S/ 130 million) is mainly due to higher expenditures for goods and services (S/ 212 million), due to the payment of services for the delivery of water to the vulnerable population and the purchase of inputs for water treatment, offset by lower tax payments (S/ 101 million). The growth in capital expenditure (S/ 349 million) reflects the execution of projects to expand and improve water and sewerage coverage (for example, Pachacútec in Ventanilla, water and sewerage networks of the Southern Services Management, reservoirs, pumping stations, wells and automation - Lima Norte II and the definitive solution at the Pirámide station in San Juan de Lurigancho), and the liberalization of interferences for the construction of Line 2 of the Lima and Callao Subway.

**The rest of the state-owned companies<sup>9</sup> registered a deficit of S/ 341 million, S/ 1,882 million less than the deficit in 2020.** The deficit of the rest of the companies under the scope of FONAFE, including this entity, decreased by S/ 1.5 billion, mainly due to the lower transfer of FONAFE's profits to the Public Treasury (S/ 1.5 billion). The current revenues of the rest of the companies grew (S/ 744 million), due to higher revenues from sales and transfers to Activos Mineros (S/ 251 million) and FONAFE (S/ 160 million). For its part, current expenditures grew (S/ 936 million): the increase in expenditures for goods and services (S/ 208 million) was offset by the reduction in other expenditures (S/ 1.1 billion), which mainly include transfers from FONAFE to the Public Treasury.

Municipal companies and decentralized agencies accumulated a combined economic surplus of S/ 106 million, in contrast to the deficit in 2020 (S/ 105 million). The growth in current revenues (S/ 316 million), due to higher sales revenues (S/ 412 million) and higher capital revenues (S/ 45 million), was partially offset by the increase in current expenditure (S/ 34 million).

#### 4. Non-Financial Public Sector Debt

The gross **debt of the Non-Financial Public Sector amounted** to S/ 314.9 billion at the end of 2021, an amount equivalent to 36.0 percent of GDP. This ratio is higher by 1.4 percentage points of GDP than that registered at the end of 2020 and is mostly explained by higher external debt (global bond placements and disbursement of contingent credits from international organizations) and, to a lesser extent, by higher long-term domestic debt (sovereign bond issues under the Market Maker mechanism).

<sup>9</sup> Includes companies under the scope of FONAFE, excluding ElectroPerú, Sedapal and regional electricity companies; FONAFE; municipal companies and decentralized public agencies.

**Table 59**  
**DEBT BALANCE OF THE NON-FINANCIAL PUBLIC SECTOR 1/**

	Million soles			% GDP		
	2019	2020	2021	2019	2020	2021
<b>PUBLIC DEBT (I + II)</b>	<b>206,301</b>	<b>249,197</b>	<b>314,867</b>	<b>26.6</b>	<b>34.6</b>	<b>36.0</b>
<b>I. EXTERNAL PUBLIC DEBT</b>	<b>65,659</b>	<b>106,995</b>	<b>170,438</b>	<b>8.5</b>	<b>14.9</b>	<b>19.5</b>
Loans	20,527	31,088	43,221	2.6	4.3	4.9
International organizations	12,702	22,144	34,378	1.6	3.1	3.9
Paris Club	3,726	4,271	3,656	0.5	0.6	0.4
Suppliers	5	0	0	0.0	0.0	0.0
International banks	4,094	4,673	5,187	0.5	0.6	0.6
Bonds	45,132	75,907	127,217	5.8	10.5	14.5
Global bonds	38,512	68,667	115,247	5.0	9.5	13.2
Non financial public enterprise bonds	6,620	7,240	11,970	0.9	1.0	1.4
<b>II. DOMESTIC PUBLIC DEBT</b>	<b>140,643</b>	<b>142,202</b>	<b>144,429</b>	<b>18.1</b>	<b>19.8</b>	<b>16.5</b>
<b>1. LONG TERM 2/</b>	<b>128,251</b>	<b>129,725</b>	<b>134,632</b>	<b>16.5</b>	<b>18.0</b>	<b>15.4</b>
Bank loans	1,701	1,180	1,295	0.2	0.2	0.1
Public Treasury bonds	126,550	128,545	133,337	16.3	17.9	15.2
<i>Capitalization BCRP</i>	394	0	0	0.1	0.0	0.0
<i>Public debt swap with Banco de la Nación</i>	295	295	295	0.0	0.0	0.0
<i>Sovereign bonds</i>	121,612	124,419	129,611	15.7	17.3	14.8
<i>Recognition bonds</i>	4,249	3,831	3,432	0.5	0.5	0.4
<b>2. SHORT TERM</b>	<b>12,391</b>	<b>12,476</b>	<b>9,796</b>	<b>1.6</b>	<b>1.7</b>	<b>1.1</b>
Memo:						
Liabilities of Private-Public Partnerships 3/	2,768	2,490	2,088	0.4	0.3	0.2
FEPCCs 4/	193	-89	-138	0.0	0.0	0.0
External debt from COFIDE and Mivivienda Fund	8,993	10,544	11,240	1.2	1.5	1.3
<b>Bond holdings</b>	<b>160,123</b>	<b>193,086</b>	<b>244,858</b>	<b>20.7</b>	<b>26.8</b>	<b>28.0</b>
Residents	66,300	65,870	69,740	8.6	9.1	8.0
Non-residents	93,823	127,216	175,118	12.1	17.7	20.0
<b>Sovereign bonds</b>	<b>121,612</b>	<b>124,419</b>	<b>129,611</b>	<b>15.7</b>	<b>17.3</b>	<b>14.8</b>
Residents	62,946	60,430	66,242	8.1	8.4	7.6
Non-residents	58,666	63,989	63,368	7.6	8.9	7.2
<b>Global bonds</b>	<b>38,512</b>	<b>68,667</b>	<b>115,247</b>	<b>5.0</b>	<b>9.5</b>	<b>13.2</b>
Residents	3,354	5,440	3,498	0.4	0.8	0.4
Non-residents	35,157	63,227	111,749	4.5	8.8	12.8

1/ Includes national government debt, subnational governments (regional and local) and non-financial public companies.  
2/ Includes recognized debt with FONAVI, Law 29625.  
3/ Estimated. Nominal value of CRPAOs issued between May 2006 and March 2012, net of amortizations made.  
4/ The negative sign means a credit balance of the Fuel Price Stabilization Fund.  
Source: MEF, BCRP, Banco de la Nación, ONP, PetroPerú, Ministry of Transport and Communications, COFIDE and FMV.

#### 4.1 External public debt

At the end of 2021, the **external debt** of the Non-Financial Public Sector amounted to S/ 170.4 billion, an amount that represents 19.5 percent of GDP, a ratio 4.6 percentage points higher than that registered at the end of 2020.

During the year, new global treasury bonds were issued for US\$ 10.24 billion, of which US\$ 4 billion were issued in three tranches in March: US\$ 1.75 billion for the reopening of the global

bond maturing in 2031, and US\$ 1.25 billion and US\$ 1 billion for two new bonds maturing in 2041 and 2051, respectively. In addition, a new € 825 million euro global bond maturing in 2033 was issued. In addition, in November, global bonds were issued for US\$ 4 billion in three tranches: US\$ 2.25 billion and US\$ 1 billion for sustainable bonds, maturing in 2034 and 2072, respectively, and US\$ 750 million for the reopening of the global bond maturing in 2051. On the same date, a new €1 billion euro bond maturing in 2036 was issued.

Likewise, loans were disbursed for US\$ 2.5 billion with international organizations, of which US\$ 2.45 billion were arranged in 2021. Of the total disbursements for the year, US\$ 1.35 billion correspond to contingent loans with the Inter-American Development Bank (US\$ 1 billion) and CAF (US\$ 350 million); and US\$ 1.15 billion of freely available funds with the World Bank, mostly to finance capital expenditures and non-permanent current expenditures due to the health emergency.

## 4.2 Domestic debt

At the end of 2021, the **domestic debt** of the Non-Financial Public Sector amounted to S/ 144.4 billion. This amount represented 16.5 percent of GDP and was 3.3 percentage points lower than that registered at the end of 2020.

During 2021, sovereign bonds were placed for S/ 4,968.4 million (reopenings), of which S/ 4,966.5 million correspond to issuances under the Market Makers program, and S/ 1.9 million to amortize Agricultural Debt Bonds. Sovereign bond issues, under the Market Makers program, generated capital gains of S/ 613 million.

## 4.3 Net debt

The **net debt** of the Non-Financial Public Sector, defined as the difference between financial liabilities or total public debt and financial assets (total deposits in the financial system and other financial assets) grew from S/ 160.1 billion in 2020 to S/ 190.7 billion by the end of 2021, representing 21.8 percent of GDP at the end of the latter year. The increase in net debt grew less than that of gross debt, as part of the resources obtained from indebtedness remained as public sector's deposits in the BCRP.

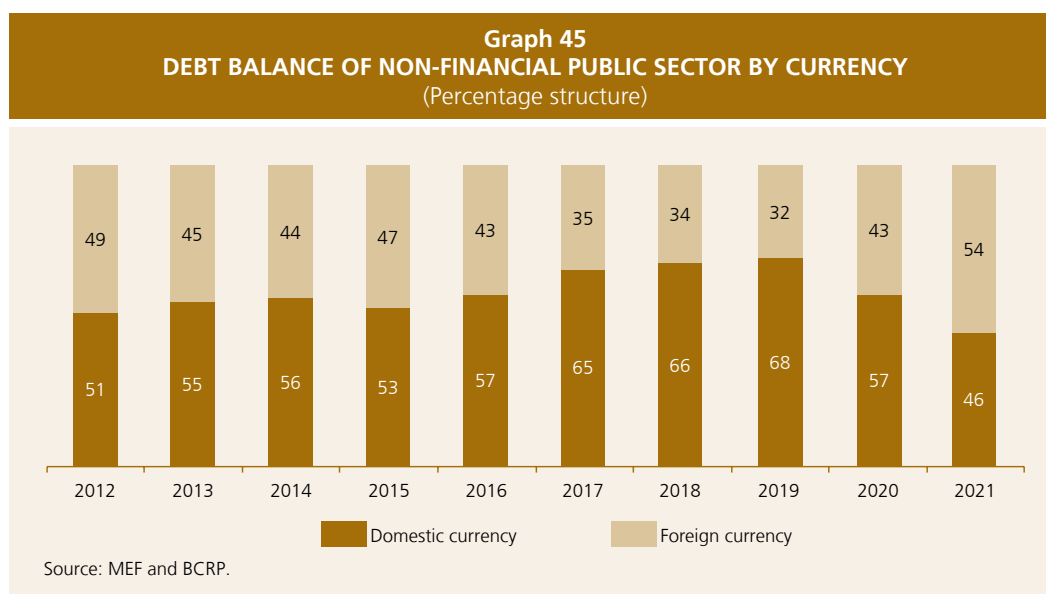
**Table 60**  
**NET DEBT OF THE NON-FINANCIAL PUBLIC SECTOR**

Year (December)	Million soles			% GDP		
	Assets	Liabilities	Debt net	Assets	Liabilities	Debt net
2012	81,130	101,225	20,094	15.9	19.9	3.9
2013	90,041	105,087	15,046	16.4	19.2	2.7
2014	96,994	114,432	17,438	16.8	19.9	3.0
2015	109,033	142,241	33,208	17.8	23.3	5.4
2016	111,649	156,663	45,014	16.9	23.7	6.8
2017	107,407	173,976	66,569	15.3	24.7	9.5
2018	107,185	190,789	83,604	14.4	25.6	11.2
2019	106,019	206,301	100,282	13.7	26.6	12.9
2020	89,121	249,197	160,076	12.4	34.6	22.2
2021	124,168	314,867	190,699	14.2	36.0	21.8

Source: MEF, BCRP, Banco de la Nación, Petroperú, ONP, EsSalud, ElectroPerú and FONAFE.

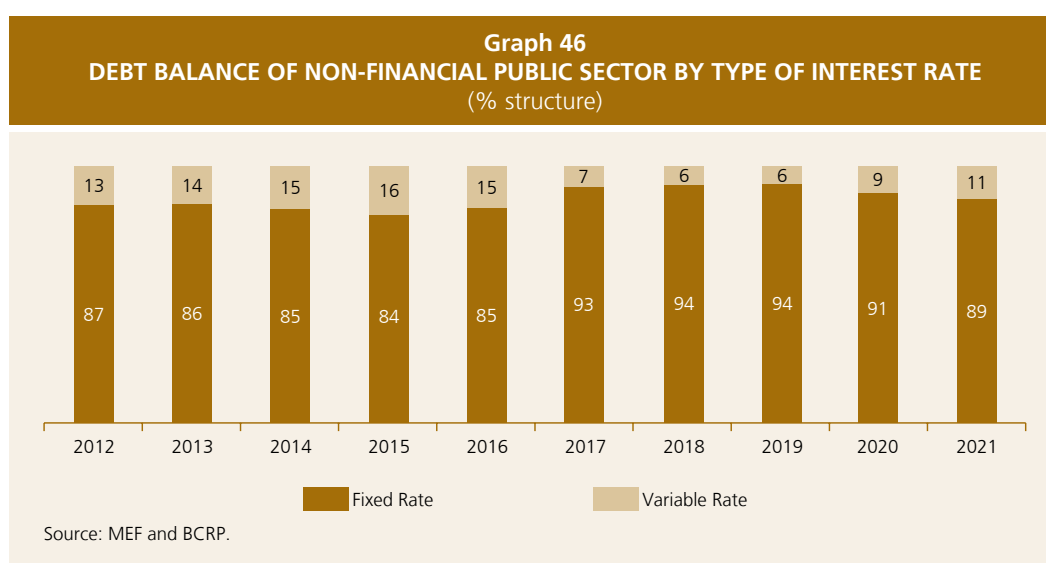
#### 4.4 Debt by currencies

The share of foreign currency debt grew from 43 to 54 percent of total debt, due to the issuance of global bonds and the disbursement of credits from international organizations, in addition to the effect of the depreciation of the sol.



#### 4.5 Debt by type of interest rate

At the end of 2021, fixed-rate Non-Financial Public Sector debt accounted for 89 percent of total debt, lower than in 2020 (91 percent). It should be noted that the share of fixed-rate debt has grown by 2 percentage points since 2012.



#### 4.6 Debt by maturity

At the end of 2021, the average maturity of total medium- and long-term public debt was 13.2 years, higher by 0.1 years than that registered at the end of 2020 (13.1 years). The average maturity of domestic public debt was 10.7 years (lower by 0.9 years than in 2020), while the average maturity of external public debt was 15.1 years (higher by 0.4 years than in 2020).

