



Guide to Investing in Infrastructure Projects in Peru

2022 /2023



ProlInversión

Private Investment Promotion Agency - Peru



PERU

Ministry
of Foreign Affairs



EY

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A Note From EY

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Public investment in infrastructure is a necessary path to stimulate the recovery of our economy, especially in a once-in-a-century experience such as the pandemic.

For many, infrastructure is the cornerstone of development and is closely tied to a clear multiplier effect on the economy.

According to the Inter-American Development Bank (IDB) every dollar spent on infrastructure has the potential to produce two dollars in increased Gross Domestic Product (GDP). As if that were not enough, it is estimated that investment levels sufficient to close the infrastructure investment gap with OECD member countries, productivity throughout the entire economy would increase by as much as 75% compared to the historical average.

For example, a 1% increase in transportation productivity would raise agricultural productivity by 1.2%. Agricultural producers can earn more with better roads than with cheaper energy infrastructure, but more infrastructure is always a win for the country.



This data demonstrates the importance of investing in infrastructure in our country. Such investments bring with them more jobs, better connectedness and access to markets, development, and more. Peru has a long way to go and its infrastructure gap is wide. This means that there is much left to do, but also a lot of room to grow.

We currently occupy the 54th place in the infrastructure category according to the 2022 World Competitiveness Ranking, a list led by the UAE, Iceland, and Norway. Currently, Peru has a portfolio of 47 projects valued at USD9 billion, with over 60% of them expected to be awarded in 2022 and 2023. We hope this investment amount will grow considerably, reaching levels comparable to those of the 2011-2015 period, when investment in infrastructure totaled USD21.179 billion, putting us behind only Brazil (USD166.215 billion) and Mexico (USD24.95 billion) in Latin America, according to the World Bank.

This task has become even more urgent due to the fact that the infrastructure gap calculated by the Association for the Promotion of National Infrastructure (AFIN) for the 2016-2025 period is USD110 billion. This is a large gap, but an even greater opportunity to promote business and boost the country's standing.

With that in mind, we are immensely pleased to present the second edition of the EY Guide to Investing in Infrastructure Projects in Peru, an essential tool for surveying and evaluating the infrastructure sector in our country.

With this Guide, EY reaffirms its commitment to contribute to the country's progress and the growth of the companies that do business here.

As always, I owe a special thanks to the Ministry of Foreign Affairs and ProInversión, as well as my EY team.

We hope you find this Guide useful. Please do not hesitate to contact us with any questions you may have.



César Landa
Minister,
Ministry of Foreign Affairs

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A Note From The Ministry Of Foreign Affairs

I am pleased to present the second edition of the Guide to Investing in Infrastructure Projects in Peru 2022/2023, created together with EY Peru. This guide offers clear, up-to-date information on the country's construction sector with the goal of promoting existing investment opportunities in a range of infrastructure projects planned for the coming years.

The Ministry of Foreign Affairs is committed to consolidating Peru's economic reactivation. Last year, the country grew by 13.6%, and we are now particularly focus on promoting trade, investment, and tourism through our missions abroad.

In the infrastructure subsector, there is a significant short-term gap calculated in the National Infrastructure for Competitiveness

Plan (PNIC, in Spanish) at over USD110 million for the transportation, communications, irrigation, electricity, water, sanitation, health, and education sectors.

The Peruvian government has committed to reducing this gap in order to continue with its successful economic growth streak and promote a more equitable and inclusive society.¹

Following the passage of the PNIC, progress has been made in 47 of 88 prioritized projects, with nearly USD50 billion invested as of the close of 2021. The sectors in which the greatest progress has been made are transportation, broadband, agriculture, sanitation, and ports.²

¹ https://www.mef.gob.pe/contenidos/inv_privada/planes/PNIC_2019.pdf
² <https://www.comexperu.org.pe/upload/articles/reportes/reporte-pnic-006.pdf>



The Peruvian government is firmly committed to strengthening the domestic market's competitiveness and productivity. To do this, it is necessary to reduce transaction costs, increase information flows, and cut down on transportation times.

A number of infrastructure projects are being implemented through government-to-government (G2G) agreements, which help speed up management procedures while boosting innovation and knowledge transfer to the Peruvian government. The most significant example is the Authority for Reconstruction with Changes, which has a G2G agreement with the United Kingdom for the reconstruction of northern Peru, which has been affected by the El Niño weather event.

Considering the importance of planning and prioritizing those projects that will have the greatest impact on society, the Ministry of Economy and Finance is currently updating the PNIC, a tool that offers predictability and provides a mechanism for institutionalization using a transparent, consensus-based methodology.

To aid in the country's effort to jumpstart prioritized projects, Peruvian law guarantees a number of key aspects for investments, including the free movement of capital, free competition, and a guarantee of private property.

One major component in this planning process is the sustainability of the planned infrastructure in keeping with our international commitments and interests, including the implementation of the 2030 Agenda for sustainable development—most notably, Goal

9 on Industry, Innovation, and Infrastructure, and Goal 11 on Sustainable Cities and Communities—our Nationally Determined Contributions under the United Nations Framework Convention on Climate Change; and the recommendations of the Environmental Performance Review of Peru conducted by the Organization for Economic Cooperation and Development (OECD).

Investment in infrastructure is a priority for Peru. We have a significant gap to close in this sector if we want to fulfill our aspirations of creating greater civic wellbeing based on sustainable development, with an emphasis on meeting the infrastructure needs of our most vulnerable residents and strategic sectors. We are assisted in this task by Peruvian and foreign investors, who help bring in technology and experiences from other parts of the world with the goal of building low carbon, climate resilient, sustainable large-scale projects, with a focus on optimizing public services to the benefit of all Peruvians.

This policy is based on our conviction that private investment is a motor for change in our country. As a sign of our commitment, we welcome all Peruvian and foreign investors who wish to take part in the endless opportunities offered by Peru.

I encourage you to look through the information contained in this guide, published as part of the interinstitutional agreement between the Peruvian Ministry of Foreign Affairs and EY Peru, which offers a perfect example of the importance of joint action between the public and private sectors to the benefit of sustainable and inclusive development for all Peruvians.



Jaime Cacho-Sousa
Director General of Economic Promotion

A Note From The Director General of Economic Promotion

The Ministry of Foreign Affairs works tirelessly to promote investment in Peru using its extensive network of missions around the world and its decentralized offices within the country to help identify investment projects throughout Peru and share them with Peruvian and foreign investors.

We are now pleased to present the Guide to Investing in Infrastructure Projects in Peru 2022/2023, a joint project between EY Peru, ProlInversión and the Ministry of Foreign Affairs, which provides detailed information on the most important public infrastructure project contracting methods in Peru—namely, public-private partnerships, works for taxes, and government-to-government agreements—as well as a general description of the main legal, tax, labor, environmental, and customs issues of interest to potential investors looking at investing in infrastructure in Peru.

The Peruvian government welcomes private investment based on criteria of social returns, which seek to extend the benefits of investment to all stakeholders, thus facilitating rapid economic reactivation and the conflict-free development of investments in the country.

Infrastructure investments play an important role in Peru's economic development, thanks not only to their direct impact on macroeconomic indicators but also their ability to reduce inequality and poverty. More and better infrastructure generally translates to a higher quality of life for all sectors, given its capacity to connect farming or mineral extraction regions and the country's main urban markets, to give just one example.

The Ministry of Foreign Affairs' General Directorate of Economic Promotion works closely with institutions interested in sharing the portfolio of infrastructure projects being awarded to the highest bidder. Thus far, eight roadshows have been organized with the Authority for Reconstruction with Changes since the start of the government-to-government agreement with the United Kingdom. This authority is in charge of performing 125 projects, including public schools, health care establishments, and comprehensive solutions, with a committed investment of over S/8 billion.

Our sound macroeconomic fundamentals are proof of our government's commitment to maintaining the country's economic growth and openness to new investments. Investors active in Peru value the country's strict fiscal management, significant international reserves, integration into global markets, and prudent economic and regulatory management in spite of the adverse international context.

I invite you to look through this guide to investing in the infrastructure sector, published as part of the interinstitutional agreement between the Ministry of Foreign Affairs and EY Peru.



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A Note From ProlInversión

In the last two decades, Peru has continued to demonstrate a solid economic performance. It stands out as one of the most dynamic economies in the Latin America region thanks to the stability of its macroeconomic policies, which have driven the growth of its internal market and the development of investment. Additionally, it is firmly committed to a policy of integration with international markets.

Last year, Peru reported the highest growth rate in South America, and is expected to continue delivering a good performance in 2022 and 2023, registering GDP growth above the regional average while maintaining debt, inflation, and fiscal deficit levels below regional averages. These economic strengths create space for the implementation of economic reactivation plans and policies to tackle rising international food and fuel prices.

The Peruvian economy's growth outlook for 2022 and 2023 is based primarily on the activities of the construction, mining and related sectors, which have continued to demonstrate a positive investment dynamic. Part of this growth will be driven by the development and start-up of major infrastructure projects that were granted in concession in recent years, along with the projects that are currently being promoted and which have been prioritized through the National Infrastructure Plan for Competitiveness (PNIC).

At ProlInversión, as the government agency in charge of promoting and facilitating private investment in Peru, we work on the structuring and transaction of infrastructure projects through Public-Private Partnerships (PPPs). This year marked our twentieth year

helping to close the infrastructure gap. During this period, we awarded 96 projects representing an investment of USD34 billion in sectors such as sanitation, transportation, communications, electricity, petroleum and gas, and irrigation. We continue working to make significant contributions to the country's connectivity and competitiveness, while also addressing social infrastructure needs. By closing this gap, we are helping lay even stronger foundations for sustained growth.

ProInversión is currently promoting a portfolio of 47 PPP projects, which represent investment opportunities totaling over USD9 billion.

In the electricity sector, we are working on 12 projects, with an estimated investment of USD1.13 billion. This will make it possible to expand 500 kV and 220 kV electrical energy transmission, solving reliability issues and avoiding overloads in the electric power system. In terms of transportation and communications projects, ProInversión is currently responsible for developing four projects that jointly exceed USD4.1 billion in investments: an urban road project to facilitate the transport of heavy cargo to the Port of El Callao ("Anillo Vial Periférico" ring road); a highway project in central Peru (Tranche 4 of the "Longitudinal de la Sierra" highway); a port (San Juan de Marcona Port Terminal); and a telecommunications project to expand the development of 4G broadband mobile systems nationwide.



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Another important group of projects in our PPP investment opportunities portfolio consists of social infrastructure projects: education, health, and water and sanitation. Although the investment amounts for these projects are relatively minor, they will have a significant impact in helping the country achieve its sustainable development goals, not only expanding coverage and access to basic services, but also making great progress in the quality of the services provided to the beneficiary population. In the sanitation sector, we are promoting the concession of 14 projects. With an estimated investment of USD1.40 billion, these projects will help improve wastewater treatment and potable water supply indicators, to the benefit of 4.8 million people. In the health sector, six PPP projects with an estimated investment of USD757 million will help close the hospital infrastructure gap with the construction of new and modern buildings equipped with first-class equipment. This will make it possible to provide more specialized health care services in four different regions through public-private partnerships, benefiting 2.8 million users. Finally, in the education sector, six PPP projects will be developed. With an estimated investment of USD656 million, these projects will improve the educational infrastructure in 41 schools, to the benefit of 77,400 students.





The PPP Project portfolio is rounded out by two funicular projects in the tourism sector (USD208 million); one project in the production sector consisting of an industrial park (USD762 million); and, in the petroleum and gas sector, the Integrated Natural Gas Transportation System Project, currently under study.

Twenty four (24) of the 47 projects in the PPP investment portfolio are currently in more advanced stages (structuring or transaction). As such, our goal for the 2022-2023 period include sixteen awards and eight calls or declaration of interest (depending on the type of project).

For all these projects, international public tenders will be called in an effort to encourage greater competition and attract the best operators from around the world to guarantee the provision of services with high quality standards throughout the concession period.

It is important to note that foreign investment in Peru can be made freely, under the same conditions as Peruvian investment, and is not subject to compliance with performance requirements. Peruvian regulations also contain special regimes that guarantee the permanence of certain relevant aspects for investment development, such as the free circulation of capital, free competition,

and guarantees for private property. This policy is based on our conviction that private investment is one of the main drivers of economic growth. As such, we must attract Peruvian and foreign capital to boost the development of the immense potential offered by our country.

At ProlInversión, we assist investors in the pre-investment, establishment, and post-establishment stages. Additionally, we promote private investment through access to mechanisms such as the Special Early VAT Recovery Regime, sales tax refunds on eligible payments, and legal stability agreements. We invite investors to explore the investment possibilities available in Peru.

20 YEARS OF PROINVERSIÓN

ADVANCES AND IMPACT ON PPPs: 2002–2022

96 awarded projects
for over
USD34 billion

TRANSPORTATION PPPs

USD13.25 billion
26 Projects

- Helped diversify and increase exports, which went from USD7 billion to USD63 billion (2001–2021).
- Increased container moves per hour and reduced waiting times at ports.

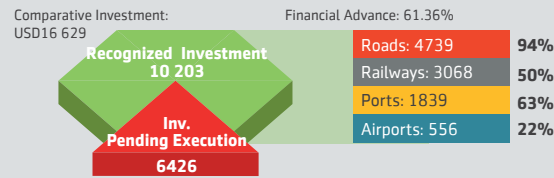
TRANSPORTATION INFRASTRUCTURE CONCESSIONS

Concession Contracts as of 2022



Source: OSITRAN

Investments Executed (in millions of USD including VAT) as of May 2022



There are 32 transportation concession contracts:
 • 16 for roads, 8 for ports, 3 for airports, 4 for railways, and 1 for waterways.
 • 16 contracts are self-financed and 16 are co-financed, with an average concession term of 25 years.

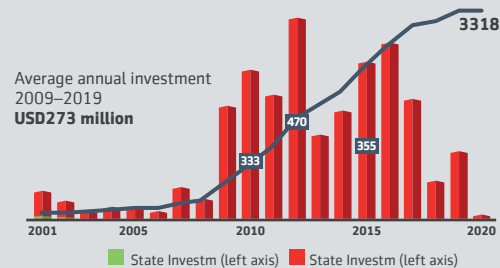
ELECTRICITY PPPs

USD9.54 billion
38 Projects

- In 20 years, the number of km of high-voltage transmission lines doubled (from 15,000 km to roughly 30,000 km) with 500 kV transmission lines incorporated since 2011.
- Over USD3.5 billion in private investment in transmission lines.

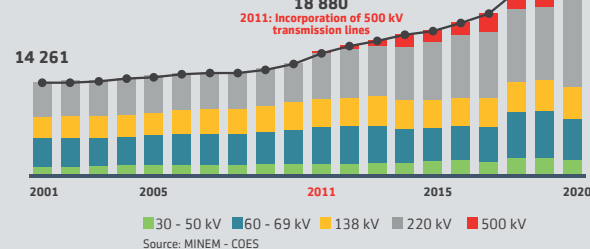
TRANSMISSION LINE PPPs

Evolution of investments executed in the electricity transmission system 2001–2020 (US\$ millions)



Average annual investment 2009–2019: USD273 million

Evolution of transmission line length nationwide 2001–2020



There are now nearly 30,000 kilometers of electric transmission lines (high-voltage) nationwide, with reliable, continuous service.

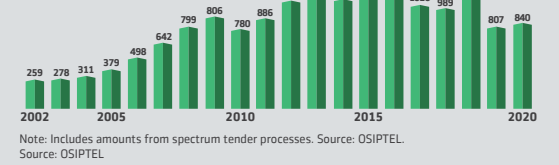
TELECOMMUNICATIONS PPPs

USD4.38 billion
14 Projects

- Peru's fiber optic network includes 13,000 km of trunk lines and over 30,000 km of regional branches, as well as privately operated networks.

Private investment was crucial to the growth of the telecommunications sector. Investments made it possible to roll out infrastructure and upgrade networks to the benefit of the population, with new, higher-quality services.

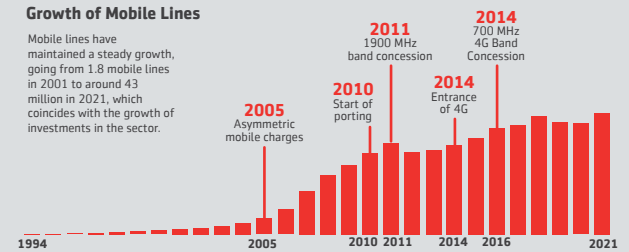
Investment in the Telecommunications Sector 2002–2021 (USD millions)



Note: Includes amounts from spectrum tender processes. Source: OSIPTEL.

Growth of Mobile Lines

Mobile lines have maintained a steady growth, going from 1.8 mobile lines in 2001 to around 43 million in 2021, which coincides with the growth of investments in the sector.



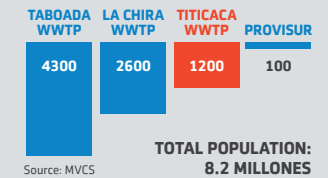
SANITATION PPPs

USD1.10 billion
6 Projects

- Wastewater treatment plants awarded as PPPs treat over 70% of wastewater in Lima and Callao.
- The first water desalination plant for human consumption was achieved thanks to a PPP.

In 2012, in Lima and Callao, only 21% of wastewater was treated. By 2020, this figure was over 90%. As of 2020, the three concession plants (Taboada, La Chira, and PROVISUR) treat 82%.

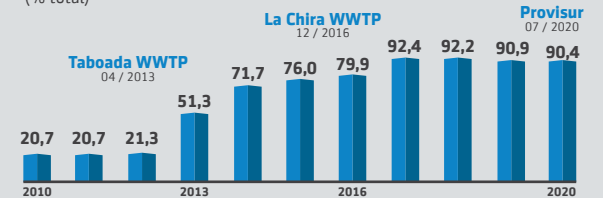
Population Benefited by Sanitation Projects with Current Contracts (thousands of people)



In Lima, projects currently in operation now benefit nearly 7 million Peruvians.

TOTAL POPULATION: 8.2 MILLONES

Lima and Callao Wastewater Treatment (% total)



IRRIGATION PPPs

USD1.32 billion / 3 Projects

- Surface area for competitive agricultural use was increased, helping diversify products, especially those for export.

ADVANCES AND IMPACTS IN PROJECTS IN ASSETS: 2002 - 2022

103 projects in assets were awarded for
USD7.5 billion

MINING: 17 PROJECTS WORTH USD4.3 BILLION

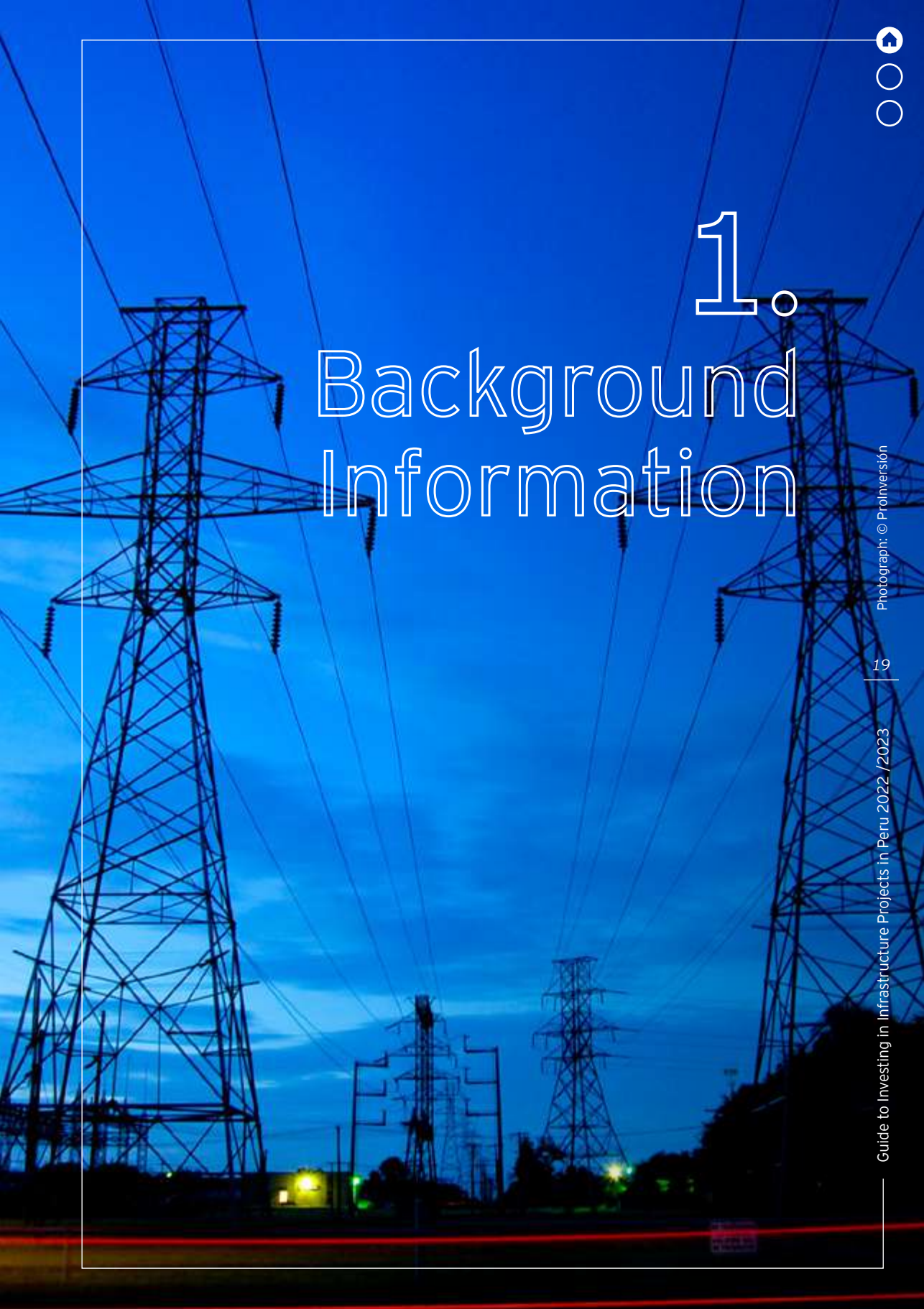
TELECOMMUNICATIONS: 25 PROJECTS WORTH USD1.7 BILLION

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1. Background Information

Photograph: © ProInversión

1.

Government

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

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

The Peruvian Government is directly elected, and voting is compulsory for all citizens between the ages of 18 and 70.

Country Overview

Government Type

Constitutional Republic

Legal System

Based on civil law

Executive Branch

- ▶ **Chief of State and Head of Government:** President Pedro Castillo Terrones (since July 2021)
- ▶ **Elections:** Every five years by popular vote (non consecutive reelection). Next elections: April 2026
- ▶ **Cabinet:** Council of Ministers is appointed by the President

Legislative Branch

- ▶ Unicameral congress
- ▶ 130 seats
- ▶ Members elected by popular vote, for five-year term (non-consecutive reelection)
- ▶ Next elections: April 2026

Judicial Branch

Judges are appointed by the National Judge Selection and Evaluation Board

Principal International Relationships

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

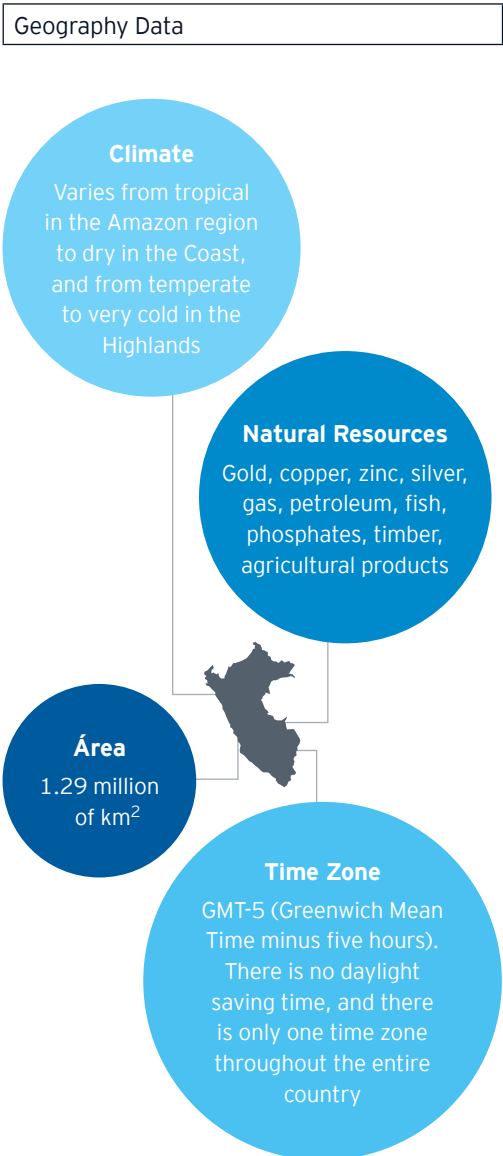
Source: Peruvian Constitution, Ministry of Foreign Affairs (MRE)

2.

Geography

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

- ▶ The Coast (*Costa*) which is a narrow desert strip 3,080 km long that accounts for only 11.7% of Peru's territory even when it hosts approximately 19.7 million inhabitants. Lima, the political and economic capital of the country is located in this region;
- ▶ The Highlands (*Sierra*) which consists of the Andean Mountain Range, covers 27.9% of the territory and has almost 8.9 million inhabitants. This region contains the country's major mineral deposits; and
- ▶ The Amazon Jungle (*Selva*) is the largest region occupying 60.4% of Peru's territory and hosting 4.8 million inhabitants. This region is rich in petroleum and forestry resources.



Source: National Institute of Statistics and Information (INEI)

3.

People

The estimated population of Peru for the year 2022 is 33.4 million, of which 11.9 million (36%) reside in Lima, the capital of the country. The urban and rural population is distributed in 82.0% and 18.0%, respectively.

The Economically Active Population (EAP) is 20.8 million (62.4% of total population) giving the country a beneficiary “demographic bonus” effect.

There is freedom of belief and religion; the predominant religion is Roman Catholicism. The main official languages are Spanish and Quechua. Aymara is also spoken in some parts of the Southern Highlands region of the country.

With respect to the literacy rate, 94.8% age 15 and over can read and write.



People Overview	
Population	33.4 million people
Age Structure	0 - 14 years: 24.3%
	15 - 64 years: 62.4%
	65 years and over: 13.3%
Annual Growth Rate	1.1%
Birth Rate	16.9 births/1,000 population
Death Rate	6.2 deaths/1,000 population
Gender Ratio	At birth 1.02 female/male
Life Expectancy at Birth	77.1 years

Source: National Institute of Statistics and Information (INEI)

4. Currency

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

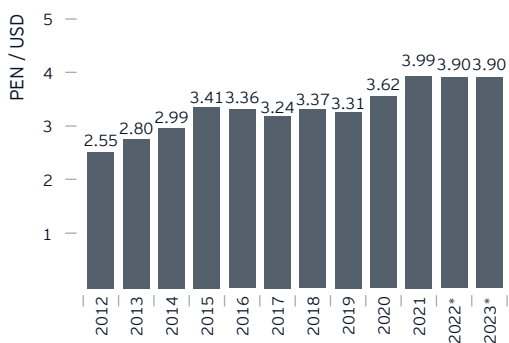
The market value of the PEN fell by 10.2% against the USD in 2021 on average in the context of a still financially dollarized economy. Historically, the Peruvian Sol reached an all-time high of PEN4.13 per USD in October of 2021 and a record low of PEN1.28 per USD in August of 1992.

Banks are currently (September 30, 2022) buying USD at PEN3.965 and selling USD at PEN3.971. Parallel market rates are slightly different.

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

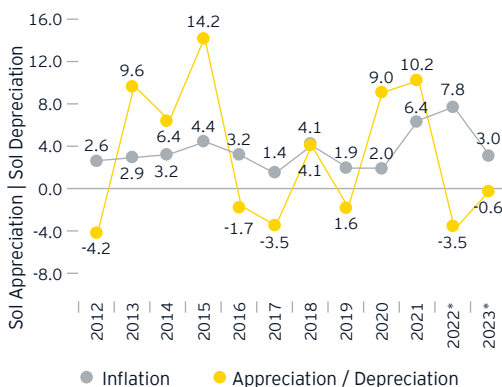
The annual inflation rate was 6.4% in 2021, while the annual depreciation rate was 10.2%. The Bank's officials also expect inflation to end in 2023 within the target range 1%-3%. BCRP's commitment to stable inflation has favored inflows of capital as well as exchange rate stability.

Exchange Rate Evolution: Soles per USD1 (end of each year)



*Projection. September 2022 Inflation Report
Source: Central Reserve Bank of Peru (BCRP)

Appreciation / Depreciation and Inflation

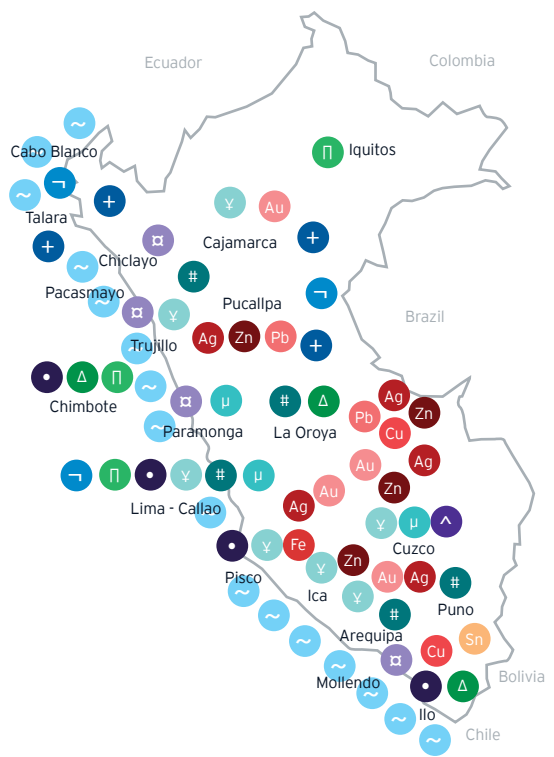


*Projection. September 2022 Inflation Report
Source: Central Reserve Bank of Peru (BCRP)

5. Economic Overview

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

Main Economic Activities by Region



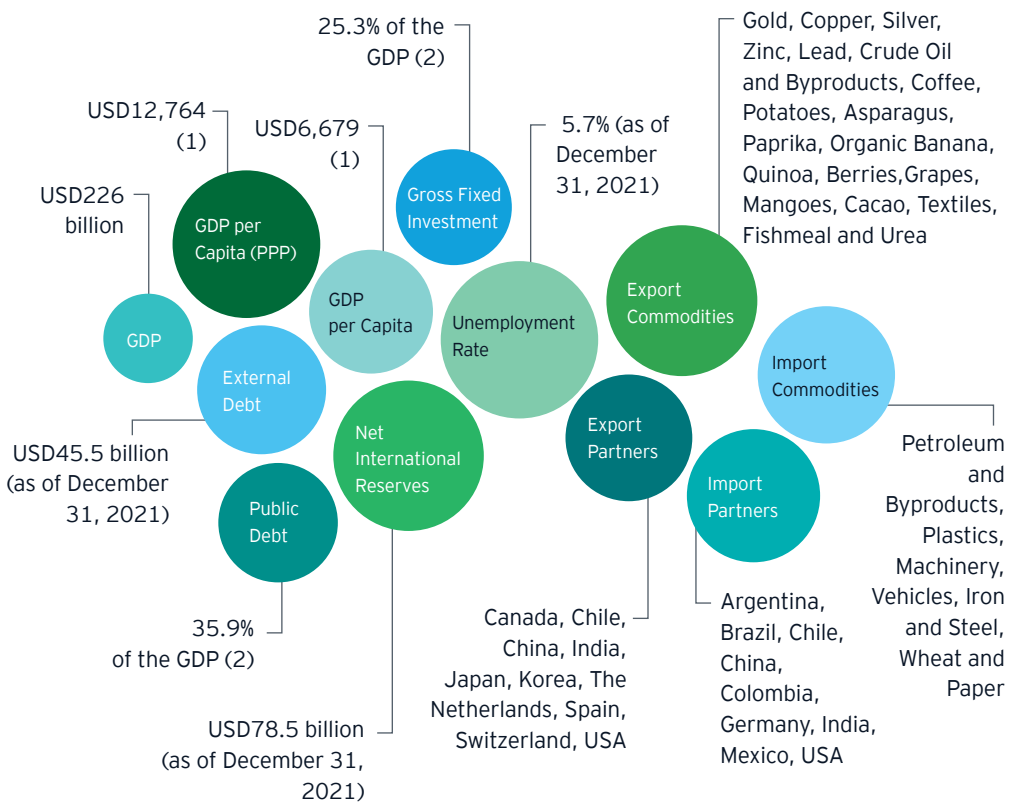
- | | | | |
|----------------|------------------|----------------|------------------------|
| Fisheries | Textile Industry | Petroleum | Cement Plant |
| Oil Refinery | Chemical Plant | Sugar Refinery | Metal Industry |
| Fishmeal Plant | Smelting | Natural Gas | Metallurgical Industry |
| Gold | Lead | Silver | Iron |
| Copper | Tin | Zinc | |

Source: University of Texas - Perry Castaneda Library Map Collection

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

In 2021, GDP grew 13.6% making Peru one of the economies with the highest growth in the region. The recovery of economic activity is expected to continue in 2022, with an expansion of 3.0% supported by the progress of vaccination against COVID-19 and the economic policies, which will remain expansive.

Peru's Economic Overview 2021



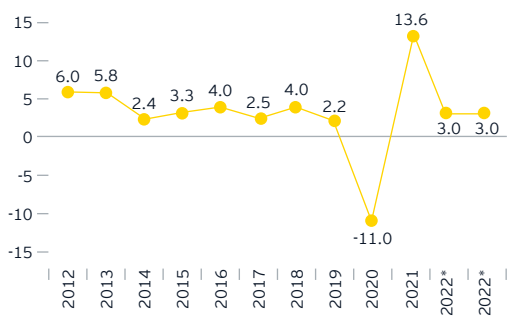
¹ World Economic Outlook of October 2022

² September 2022 Inflation Report

Source: Central Reserve Bank of Peru (BCRP), Ministry of Economy and Finance (MEF), National Institute of Statistics and Information (INEI), International Monetary Fund (IMF)

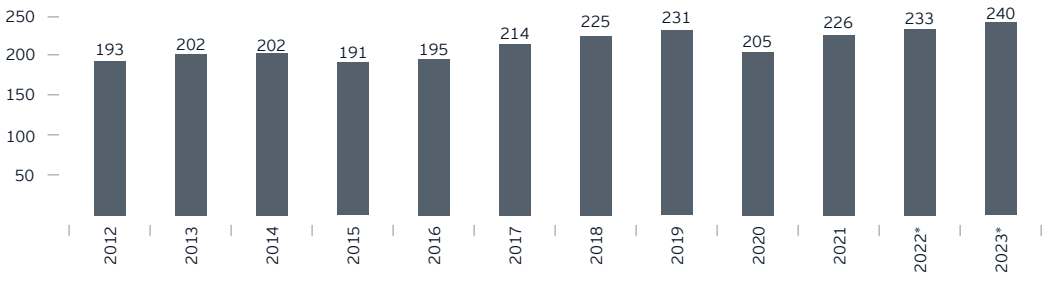
Peru's rapid expansion has helped to reduce the national poverty rate from 48.5% in 2004, to 25.9% of its total population in 2021. Extreme poverty declined from 17.4% to 4.1% over the same period. These results are consequences of the consistency in the economic policies implemented by the governments, which are also reflected in the sustained growth of the economy.

Gross Domestic Product - GDP (Percentage Change)



*Projection. September 2022 Inflation Report
Source: Central Reserve Bank of Peru (BCRP)

Real Gross Domestic Product (GDP) (in USD Billions)



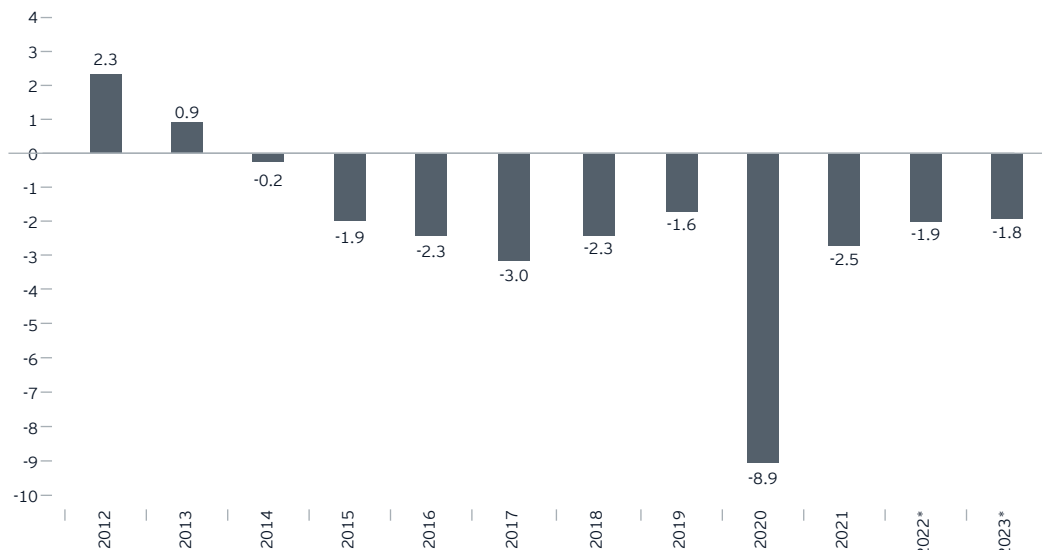
*Projection. September 2022 Inflation Report
Source: International Monetary Fund (IMF), Central Reserve Bank (BCRP)

Gross Domestic Product (GDP) by Industry (Percentage Change)

Industry	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023*
Agriculture and Livestock	2.7	1.6	3.5	2.7	2.8	7.8	3.4	1.0	4.5	2.5	2.4
Fisheries	24.8	-27.9	15.9	-10.1	4.7	47.7	-25.9	4.2	9.9	-5.7	5.3
Mining	4.3	-2.2	15.7	21.2	4.5	-1.7	-0.8	-13.8	10.5	1.6	8.4
Hydrocarbons	7.2	4.0	-11.5	-5.1	-2.4	0.0	4.6	-11.0	-4.6	8.0	4.7
Manufacturing	4.9	-3.6	-1.5	-1.4	-0.2	5.9	-1.7	-13.2	17.8	3.6	3.5
Electricity and Water	5.4	4.9	5.9	7.3	1.1	4.4	3.9	-6.1	8.5	3.0	5.0
Construction	0.0	1.9	-5.8	-3.2	2.1	5.3	1.5	-13.3	34.5	0.5	2.0
Commerce	5.9	4.4	3.9	1.8	1.0	2.6	3.0	-16.0	17.8	2.6	2.5
Other Services	6.1	5.1	4.1	4.1	3.3	4.4	3.8	-10.4	11.8	3.7	2.0
GDP	5.8	2.4	3.3	4.0	2.5	4.0	2.2	-11.0	13.6	3.0	3.0

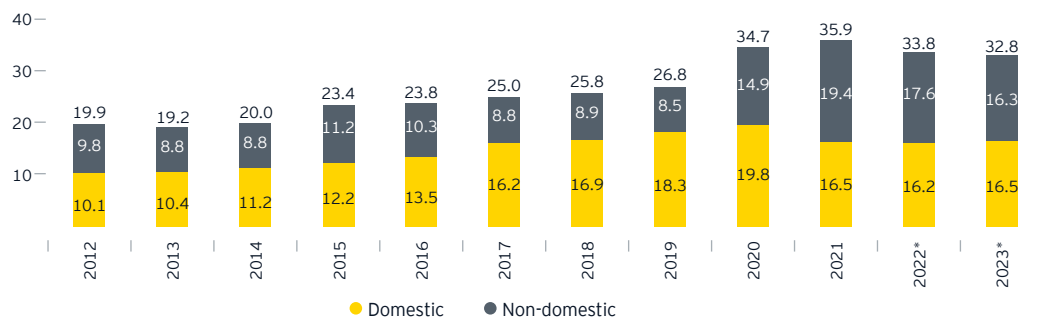
*Projection. September 2022 Inflation Report
Source: Central Reserve Bank of Peru (BCRP), National Institute of Statistics and Information (INEI)

Economic Results (Surplus / Deficit) of the Non-Financial Public Sector (Percentage of the GDP)



*Projection. September 2022 Inflation Report
Source: Central Reserve Bank of Peru (BCRP)

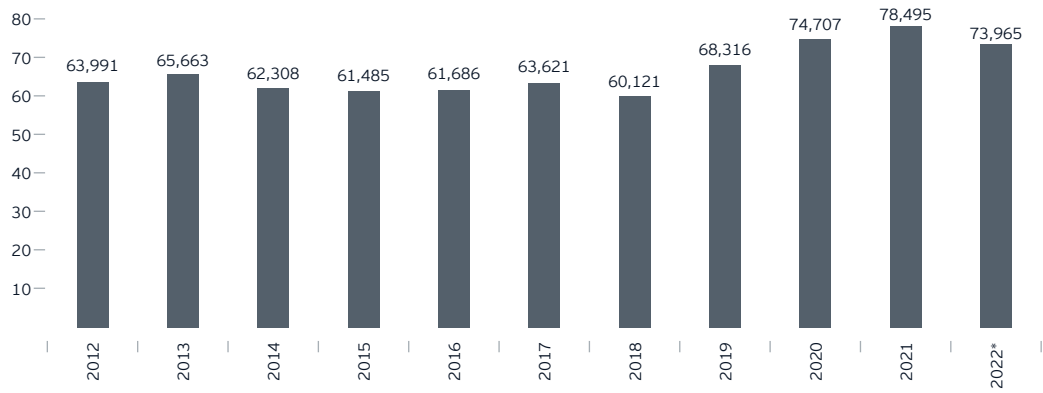
Government Gross Debt (Percentage of the GDP)



*Projection. September 2022 Inflation Report
Source: Central Reserve Bank of Peru (BCRP)

Furthermore, despite the world economy fluctuations and supply shocks, net international reserves represent approximately 35% of Peru's GDP reaching USD78.5 billion in December 2021.

Net International Reserves (in USD Millions)



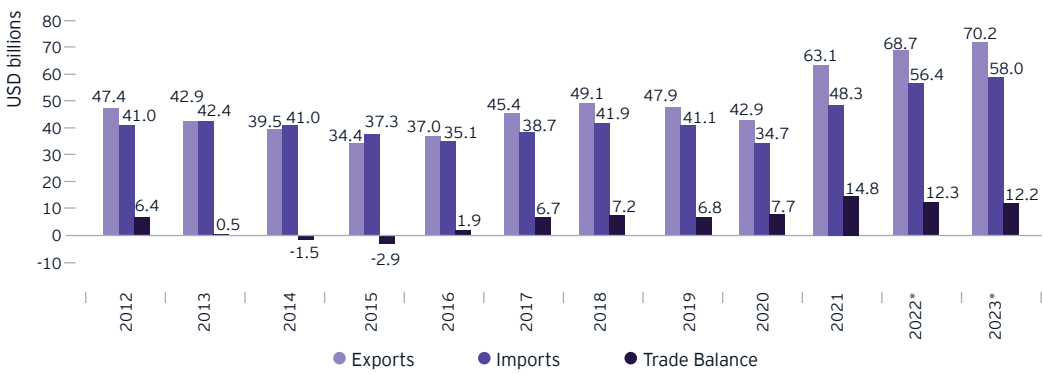
*As of August 31, 2022
 Source: Central Reserve Bank of Peru (BCRP)

As a country endowed with natural resources, Peru exports goods that are highly subject to price volatility, whereas it imports industrial goods, the prices of which are less volatile. The country has benefited from a steady improvement in its terms of trade since 2000, which has had a positive impact on the trade balance. Moreover, the country has engaged

in several bilateral and multilateral trade agreements that have opened new markets for its exports.

In 2021, Peru's total exports reached an all-time record of USD63.1 billion, and the trade balance recorded a surplus of USD14.7 billion that same year.

Trade Balance (in USD Billions)



*Projection. September 2022 Inflation Report
 Source: Central Reserve Bank of Peru (BCRP)



2. Business Environment

Photograph: © ProInversión

Guide to Investing in Infrastructure Projects in Peru 2022 / 2023

1.

Infrastructure Investment

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

Peru is focused on promoting the development of infrastructure for its positive impact on the GDP through the production of transportation services, the supply of water and electricity, sanitation and telecommunications.

Infrastructure investments create positive externalities within the country that will accelerate long-term growth. Additionally, investment in infrastructure indirectly influences the productivity of businesses and the entire supply chain in the economy so that all production factors increase their productivity. Companies will benefit from the increase of competitiveness through the reduction of costs, an increase in economies of scale, efficiency in supply chains, expansion of storage, and a more streamlined distribution. Not only will companies benefit but also the population will increase their quality of life by covering their basic needs and accessing better public services, which are necessary to permanently break out of poverty. The development of infrastructure has a positive impact on human capital and its competitiveness both in the medium and long term.

“

To put opportunities for investment in local infrastructure in the spotlight it is necessary to develop a pipeline of projects that is attractive for international developers. This pipeline must be important in number of projects, volume of investment and include mostly mature, well-structured projects.

Enrique Oliveros

Strategy and Transactions
Lead Partner



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

The PNIC estimates a long-term infrastructure gap of approximately USD110 billion: 44% is concentrated in the transportation sector, followed by the sanitation (20%), health (16%) and water (7%) sectors. Additionally, as part of the prioritization methodology, 52 projects are listed for an estimated total of USD30 billion that will have a timely impact by developing the internal market, promoting access to the external market, and improving the quality of life of the population.

Short and Long Term Infrastructure Gap (In USD Millions)					
N°	Industry	Short-Term Gap		Long-Term Gap	
		PEN	USD	PEN	USD
1	Water	6,019	1,818	24,245	7,325
2	Sanitation	28,819	8,707	71,544	21,615
3	Telecommunications	12,151	3,671	20,377	6,156
4	Transportation	35,970	10,867	160,958	48,628
5	Electricity		-	7,059	2,133
6	Education		-	5,917	1,788
7	Health	27,545	8,322	58,727	17,742
8	Hydraulic	6,679	2,018	14,625	4,418
	Total	117,183	35,403	363,452	109,804

Source: 2019 National Infrastructure Plan for Competitiveness (PNIC) - Ministry of Economy and Finance (MEF)

The PNIC does not replace or substitute any other initiative undertaken by other sectors or regions. There is still work to be done on social infrastructure projects that are not included in the PNIC. Project planning must be seen as a dynamic exercise where more initiatives can be included.

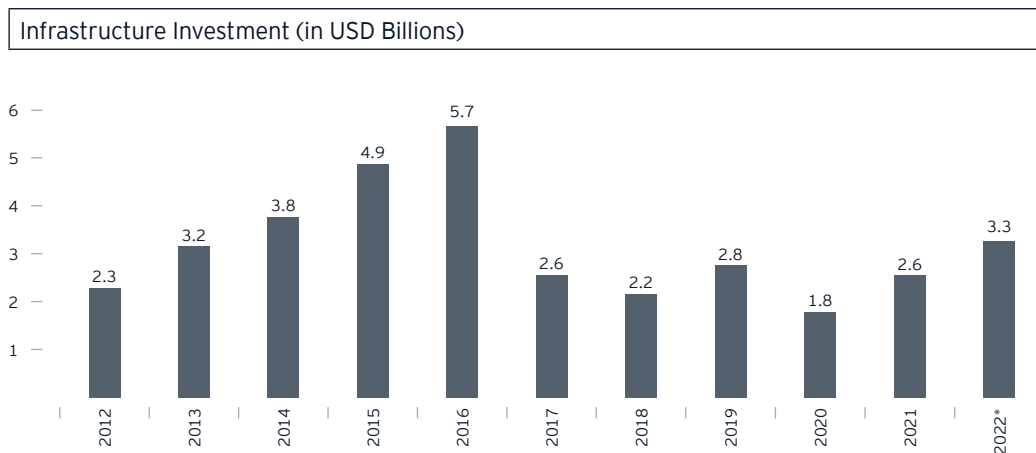
The government is also working to increase public and private investment in infrastructure and creating mechanisms to ensure continuity of its policies. To close the infrastructure gap, different investment mechanisms must be used: Public Works, Public-Private Partnerships (PPP), Works for Taxes (WT), and Government to Government (G2G) Agreements.

The effort to close the infrastructure gap requires the active participation of the private sector. Accordingly, the Peruvian government has become very proactive providing incentives to develop investment projects. Peruvian laws have incorporated Public-Private Partnerships (PPPs)—a type of private investment participation. PPPs are executed under concessions, operations, management, joint ventures and any other type of PPPs admitted by Peruvian law to create, develop, improve, operate or maintain public infrastructure or provide public services. This type of investment can be requested as a private initiative or through a public tender.

Another example of these incentives is the Works for Taxes (WT) in which Peru's tax system includes provisions to grant credits against income taxes and thus allow third-party investors to recover capital investments made in public infrastructure.

Nowadays, Government to Government (G2G) Agreements are a tool that the government intends to promote to benefit from technical assistance that meets international standards, as well as to increase its capacity in the management of large projects that Peru aims to execute.

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



*Projection. Macroeconomic Projections (Updated Report) 2022-2025
 Source: Ministry of Economy and Finance (MEF)

2.

Investment Grade Rating and Country Risk

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

It is well known that countries with investment grade ratings gain a higher level of confidence, generating more foreign and domestic investment. The risk premium demanded by multinationals and foreign investors is reduced after the upgrade and, at the same time, the investment horizon is lengthened. The same occurs with domestic investment. Local investors gain more confidence, thus allowing themselves to consider opportunities with lower interest rates. The impact is immediate, as consumers gain access to credit with more favorable terms.

Credit Rating
(Long Term Debt in Foreign Currency)

Country	S&P	Fitch	Moody's
Chile	A	A-	A1
Peru	BBB	BBB	Baa1
Mexico	BBB	BBB-	Baa1
Colombia	BB+	BB+	Baa2
Uruguay	BBB	BBB-	Baa2
Paraguay	BB	BB+	Ba1
Brazil	BB-	BB-	Ba2
Bolivia	B+	B	B2
Ecuador	B-	B-	Caa3
Argentina	CCC+	CCC	Ca
Venezuela	N/A	RD	C

As of September 2022

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

S&P / Fitch	Moody's	Feature
AAA	Aaa	Risk Free
AA+, AA, AA-	Aa1, Aa2, Aa3	High Grade
A+, A, A-	A1, A2, A3	High Repayment Capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate Repayment Capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some Repayment Capacity
B+, B, B-	B1, B2, B3	Highly Uncertain Repayment Capacity
CCC+, CCC, CCC-, CC	Caa1, Caa2, Caa3	Extremely Vulnerable to Default
SD/RD	C	Default

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

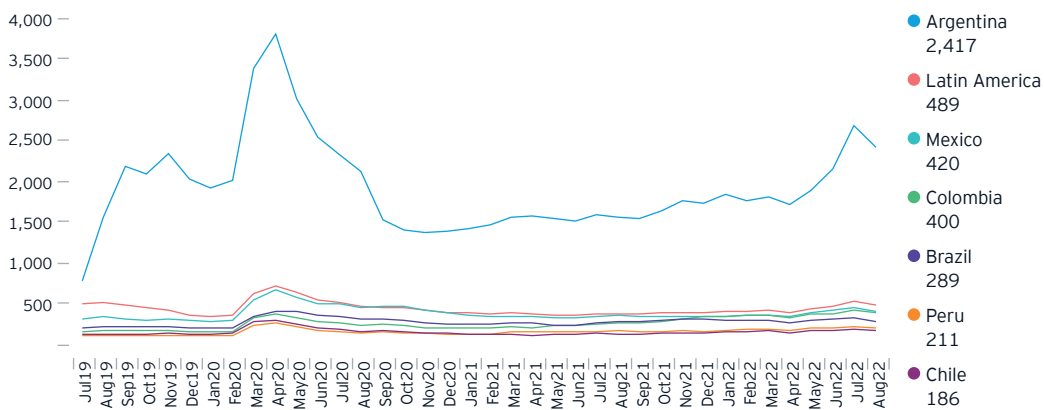


Country Risk

As of August 31, 2022, Peru had a country risk of 211 base points, ranking as the second lowest in Latin America. This score is half of the regional average (489 points). As may be seen in the following charts, Peru's level of inflation is one of the lowest in Latin America,

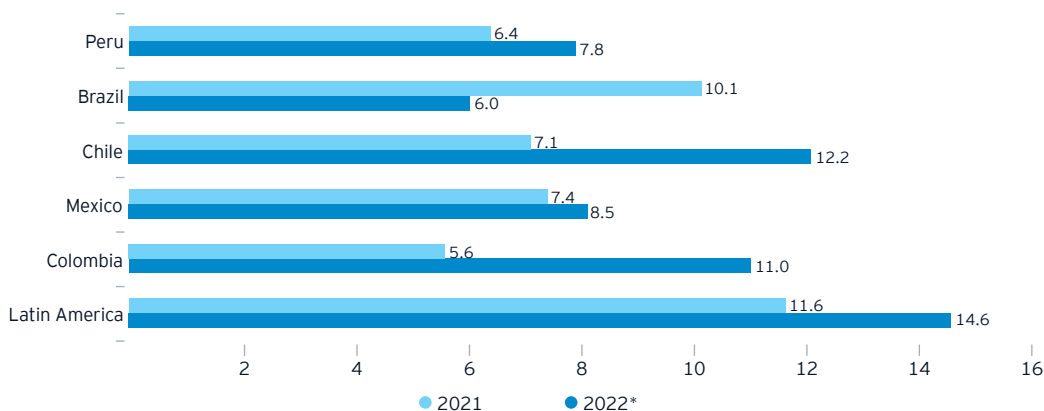
with a rate of 6.4% in 2021, below the regional average (11.6%). In addition, over the past decade, the Peruvian economy had the lowest average annual inflation rate in Latin America, at 3.0%, below that of Chile (3.4%), Colombia (3.9%) and Brazil (6.1%).

Country Risk Indicator - EMBIG



Source: Reuters, Central Reserve Bank of Peru (BCRP)

Inflation Rates in Latin America (in Percentage)



*Projection. World Economic Outlook of October 2022

Source: International Monetary Fund (IMF), Central Reserve Bank of Peru (BCRP)

3.

Investment Promotion Conditions

Foreign Investment Legislation and Trends in Peru

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

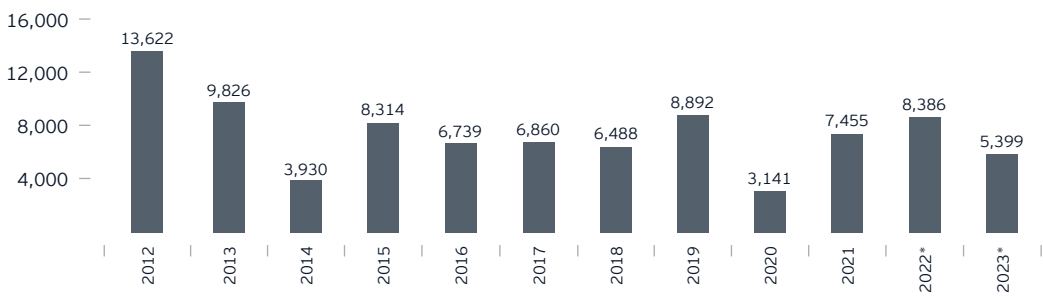
Peru has adopted a legal framework for investments that requires no previous authorization for foreign investment. In this regard, foreign investments are allowed without restrictions in the large majority of economic activities. The activities with restrictions are very specific, such as air transportation,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

Peruvian government guarantees legal stability to national and foreign investors with respect to legislation governing income tax and, specifically, distribution of dividends. Foreign investors with the right to obtain legal and tax stability are those willing to invest in Peru for a period of no less than two years and for a minimum of USD10 million in the Mining and/or Petroleum & Gas sectors, or USD5 million in any other economic activity.

Peruvian laws, regulations, and practices do not discriminate between domestic and foreign corporations. There are no restrictions on repatriation of profits, international transfers of capital, or foreign exchange practices. The remittance of interest and royalties is not restricted in any manner. Foreign currency may be used to acquire goods abroad or cover financial obligations to the extent operators comply with the applicable Peruvian tax legislation.

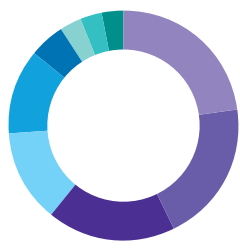
As a result, the Central Reserve Bank of Peru (BCRP) reported that the stock of Foreign Direct Investment (FDI) inflow reached USD7.5 billion in 2021. FDI is concentrated in mining, finance, communications, energy and industry.

Foreign Direct Investment Flow (in USD millions)



Projection. September 2022 Inflation Report
 Source: Central Reserve Bank of Peru (BCRP)

Balance of Foreign Direct Investment by Industry 2021



- Mining 23.3%
- Commerce 3.2%
- Communications 20.4%
- Oil 2.6%
- Finance 17.9%
- Services 2.5%
- Energy 13.0%
- Others 5.0%
- Industry 12.0%

Sector	In USD Millions
Mining	6,889
Finance	5,929
Communications	5,522
Energy	3,502
Industry	3,436
Services	1,131
Commerce	808
Petroleum	680
Others	1,335
Total	29,232

Source: Private Investment Promotion Agency (ProlInversión)

Foreign Direct Investment (FDI) is largely seen as a catalyst for economic growth in the future. The United States, United Kingdom, The Netherlands, Spain, Brazil and Chile appear as Peru's leading investors. FDI is concentrated in the mining, financial, communications, energy, and industry sectors.

Recognition of favorable investment climate

According to the last Competitiveness Index of the World Economic Forum, Peru is among the top countries in Latin America in terms of macroeconomic environment, market size, financial market development, labor market efficiency, goods market efficiency, and technological preparation, among others.

Global Competitiveness Index

	2018		2019	
	Ranking	Score	Ranking	Score
Peru Total	63/140	61.3	65/141	61.7
Enabling Environment	64	64.1	70	64.2
- Institutions	90	50.2	94	48.9
- Infrastructure	85	62.4	88	62.3
- ICT Adoption	94	43.9	98	45.7
- Macroeconomic Stability	1	100.0	1	100.0
Human capital	43	75.5	44	77.4
- Health	32	93.3	19	94.6
- Skills	83	58.6	81	60.2
Markets	48	60.1	51	59.9
- Product Market	50	59.5	56	57.1
- Labor Market	72	58.8	77	59.0
- Financial System	63	60.5	67	61.4
- Market Size	49	61.6	49	62.2
Innovation Ecosystem	93	43.2	94	44.3
- Business Dynamism	92	54.5	97	55.8
- Innovation Capability	89	31.9	90	32.7

Source: World Economic Forum

The overall results of the 2022 Index of Economic Freedom prepared by The Heritage Foundation, which includes an analysis of the environment and economic freedom of each country based on ten indicators covering issues such as compliance with the law, the level of government intervention, market openness, and efficient State regulations, confirm that promoting economic freedom in terms of the rule of law, government, regulations, and open markets generates a broad economic dynamism. Thus, boosting these levels will prove significant in order to sustain the wealth of nations, as well as being the most effective way to eliminate poverty.

Index of Economic Freedom 2022

Country	Worldwide Ranking	Latin America Ranking	Score 2022
Singapore	1	-	84.4
Switzerland	2	-	84.2
Ireland	3	-	82.0
Canada	15	-	76.6
Chile	19	1	74.4
Uruguay	34	2	70.0
Peru	51	3	66.5
Colombia	60	4	65.1
Mexico	67	-	63.7
Paraguay	73	5	62.9
Ecuador	126	6	54.3
Brazil	133	7	53.3
Argentina	144	8	50.1
Bolivia	169	9	43.0
Venezuela	176	10	24.8

Source: The Heritage Foundation

4.

Trade Agreements

Peru's development strategy is based on an economy opened to the world and competitive in its export offer. It has been a successful strategy that has permitted the country to consolidate its foreign trade in goods and services as an instrument for economic development and the reduction of poverty.

International trade negotiations, which have benefited from rigorous macroeconomic management and its consequent stability, have allowed the Peruvian economy to gradually tackle and reduce its external vulnerability in times of crisis such as in the current international situation. In recent years, Peru has negotiated Free Trade Agreements (FTA) with large and medium-sized markets.

Peru currently has in force 26 Bilateral Investment Treaties (BITs) with Argentina, Canada, China, Colombia, Cuba, the Czech Republic, Denmark, El Salvador, Finland, France, Germany, Italy, Japan, Malaysia, the Netherlands, Norway, Paraguay, Portugal, Romania, Spain, Sweden, Switzerland, Thailand, the Belgium-Luxembourg Economic Union, the United Kingdom, and Venezuela.

Peru has a total of 22 free trade agreements and economic integration agreements (TLCs & EIAs) in force with the Andean Community, Mercosur, the Pacific Alliance, the European Free Trade Association (EFTA), Australia, Canada, Chile, China, South Korea, Costa Rica, Cuba, United States, Honduras, Japan, Mexico, Panama, United Kingdom, Singapore, Thailand, the European Union, Venezuela and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). With the CPTPP, it has been possible to have preferential access to four countries with which Peru did not have a trade agreement, including New Zealand, Vietnam, Brunei and Malaysia.

Peru is currently in the midst of negotiations with Turkey, El Salvador, and India.

Double Taxation Agreements

Currently, Peru has signed and ratified agreements to avoid double taxation with the following countries: Brazil, Chile, Canada, Japan, Mexico, Portugal, South Korea, Switzerland and the Andean Community (together with Colombia, Ecuador and Bolivia). Likewise, there are negotiations with Spain, France, Singapore and the United Kingdom. On June 27, 2018, Peru signed the Multilateral Convention Against Base Erosion and Profit Shifting, result of the OECD/G20 BEPS Project, which is pending ratification.

3. Infrastructure Potential



Photograph: © ProInversión

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Guide to Investing in Infrastructure Projects in Peru 2022 / 2023

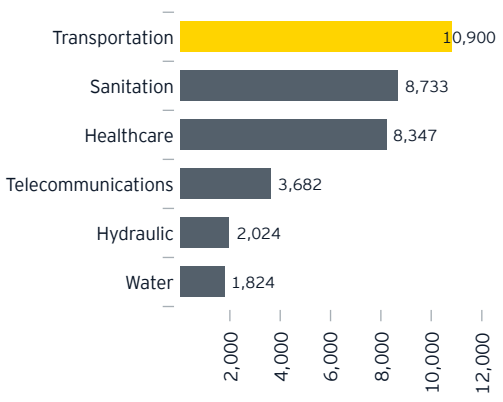
1.

Infrastructure Gap

The National Infrastructure Plan for Competitiveness¹, identifies a basic access infrastructure gap of approximately² USD110 billion (S/363 billion). This estimate does not consider qualitative elements such as quality of water, hours of electricity, school structure conditions, among others. Therefore, this infrastructure gap would be underestimated, assuming Peru aims to be a developed country.

Infrastructure Gap - Short Term
(in USD Millions)

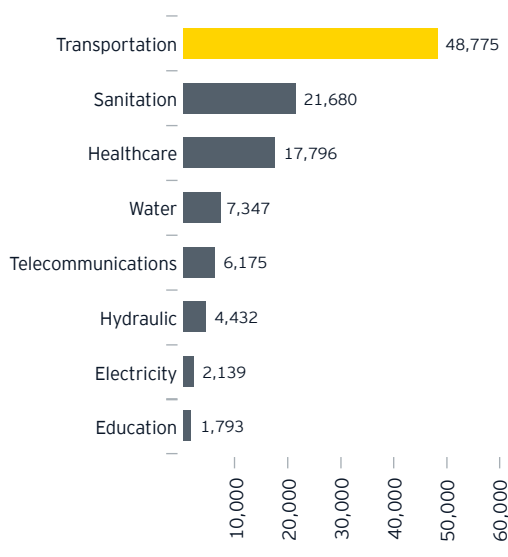
This has been calculated considering a five-year horizon, at approximately USD35 billion, distributed among the following sectors: Transportation (31%), Sanitation (25%), Healthcare (24%), Telecommunications (10%), Hydraulic (6%) and Water (5%).



Source: National Infrastructure Plan for Competitiveness (PNIC) (2019)

Infrastructure Gap - Long Term
(in USD Millions)

This gap considered a twenty year horizon and is estimated at approximately USD110 billion, distributed among the following sectors: Transportation (44%), Sanitation (20%), Healthcare (16%), Water (7%), Telecommunications (6%), Hydraulic (4%), Electricity (2%) and Education (2%).



Source: National Infrastructure Plan for Competitiveness (PNIC) (2019)

¹ National Infrastructure Plan for Competitiveness (PNIC). Ministry of Economy and Finance (MEF). https://www.mef.gob.pe/contenidos/inv_privada/planes/PNIC_2019.pdf

² Exchange rate: USD1 = S/3.3, according to the National Infrastructure Plan for Competitiveness.

2.

Overview by Sector

1. Roads

Peru has a total road infrastructure of 175,589 km, distributed as follows:

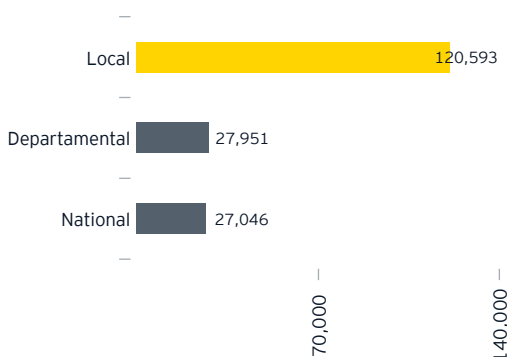
- Local roads: 120,593 km (68.7%)
- Departmental roads: 27,951 km (15.9%)
- National roads: 27,046 km (15.4%)

Specifically, 83.3% of the national roads (22,535 km) are paved, while only 15.2% (4,262 km) and 2.3% (2,782 km) of the departmental and local roads, respectively, are paved.

In total, 146,010 km were unpaved by 2021 which represents 83.2% of all existing roads. This situation explains part of the transport infrastructure gap previously explained, and that needs to be solved through public and private investment.

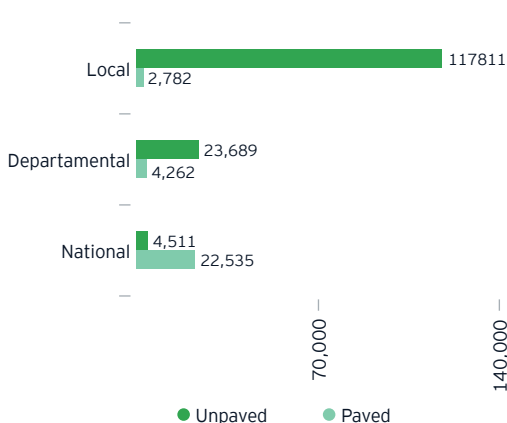
Regarding private investment participation, Peru has 16 concessions for 6,693 km, which are being supervised by OSITRAN³.

Road per System (in Kilometers)



Source: Ministry of Transportation and Communications (MTC) (Jul-2021)

Paved and Unpaved Roads (in Kilometers)

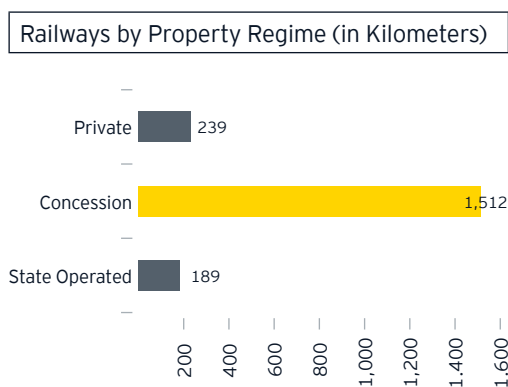


Source: Ministry of Transportation and Communications (MTC) (Jul-2021)

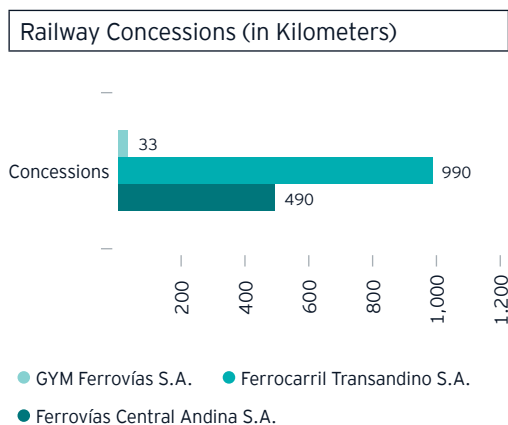
³ Supervisory Agency for Investment in Public Use Transport Infrastructure (OSITRAN). <https://www.ositran.gob.pe/carreteras/>

2. Railways

Peru has a total railway infrastructure of 1,939.7 km grouped by ownership as follows: Railway Concessions (78%) totaling 1,512.4 km, followed by Private Railways (12.3%) totaling 238.6 km, and State Operated Railways (9.7%) totaling 188.7 km.



Source: Ministry of Transportation and Communications (MTC) (2020)



Source: Ministry of Transportation and Communications (MTC) (2020)

Only 33.1 km of the total railway concessions are for urban transport (Line 1 of the Lima and Callao Metro System). The remaining are freight and tourist transport railways.

The two railway infrastructure concessions supervised by OSITRAN⁴ are: the Central Railway, the South and South East Railway and Lines 1 and 2 of the Lima and Callao Metro System.

The most relevant project for its impact is Line 2 - the first fully underground metro project.

Although it is not yet completed, its first 5 stations are ready, and it will begin to operate partially. The full operation is expected to take place in 2025. Line 2 includes an extension of 35 km and 35 stations.

In 2020, the incorporation of line 3 and line 4 projects of the Lima and Callao metro was announced in the development under the G2G execution mechanism. The position of the current government is still expected to define the mechanism of execution of both projects.

⁴ Supervisory Agency for Investment in Public Use Transport Infrastructure. (OSITRAN)

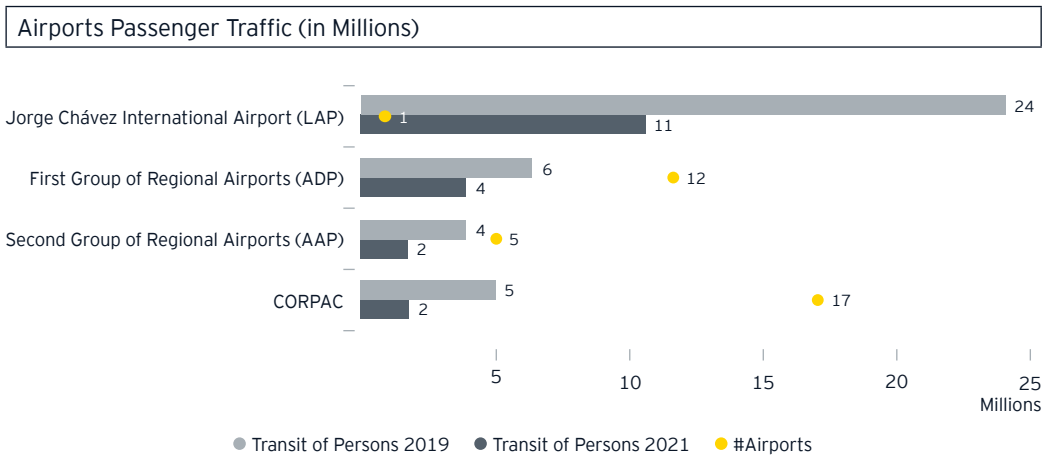
3. Airports

Peru has 35 airports. Its main Airport, the "Jorge Chávez International Airport" in Lima, has been granted in concession to Lima Airport Partners (LAP) currently owned by Fraport AG (80%) and International Finance Corporation (IFC) of the World Bank (20%). The airport expansion project is currently under execution; the consortium company Cumbra has completed the construction of the second runway and is now in the process of building the new terminal with a capacity of 37 million passengers, to be completed by 2025.

There are two more concessions, 12 regional airports as part of the "First Group of Regional Airports" awarded to Aeropuertos del Perú (ADP) and 5 regional airports as part of the "Second Group of Regional Airports" awarded to Aeropuertos Andinos del Perú (AAP). Lastly, there are 17 airports operated by CORPAC, the government entity in charge of airport operations in Peru.

In 2021, passenger traffic amounted to 19.1 million: LAP represented 56.6%, followed by ADP with 22.2%; AAP with 10.4% and CORPAC with 10.8%. The sector has been recovering from the effects of COVID-19, considering that in 2019, passenger traffic amounted to 38.1 million, being 50% of air traffic in 2021 compared to 2019.

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



Source: Supervisory Agency for Investment in Public Use Transportation Infrastructure (OSITRAN) (2021)

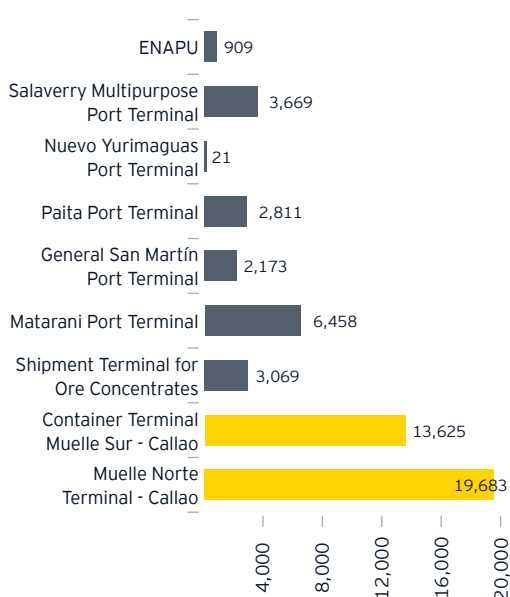
⁵ Ministry of Transportation and Communications
<https://www.gob.pe/institucion/mtc/noticias/619238-inversion-de-mas-de-us-270-millones-permitira-mejorar-ocho-aeropuertos-regionales>

4. Ports

Peru has 18 ports and a total movement of 52.4 million tons in 2021. The main port terminals in Peru are located in Callao. The government port operator, ENAPU, manages 10 ports in the country.

Peru has experience in the development of port projects, with a total of eight port concessions supervised by OSITRAN⁶. The development of new port projects is being evaluated and included in the Public-Private Partnership (PPP) project pipeline⁷.

TN Volume 2021 (In Thousands)



Source: Supervisory Agency for Investment in Public Use Transportation Infrastructure (OSITRAN) (2021)

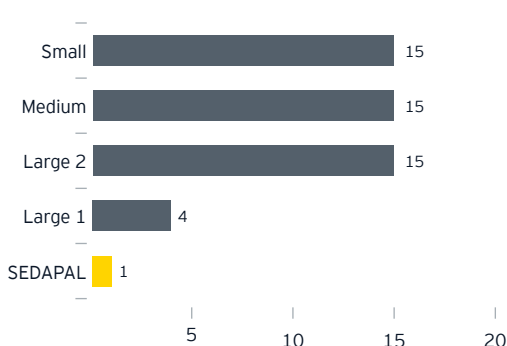
5. Water and Sanitation

Urban Areas

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

Companies providing water and sanitation services can also be grouped by connection size. In addition to SEDAPAL there are 4 "large 1" companies that have between 100,000 and 999,999 connections, 15 "large 2" companies that have between 40,000 and 99,999 connections, 15 medium companies that have between 15,000 and 39,999 connections and 15 small companies with less than 15,000 connections.

Number of Companies by Size



Source: National Superintendency of Sanitation Services (SUNASS) (2020)

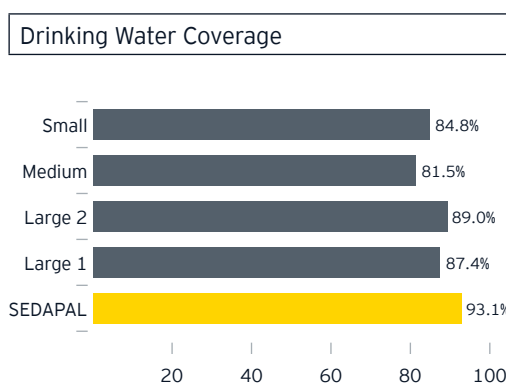
⁶ Supervisory Agency for Investment in Public Use Transport Infrastructure. (OSITRAN) <https://www.ositran.gob.pe/puertos/>

⁷ Private Investment Promotion Agency. ProlInversión.

https://www.investinperu.pe/RepositorioAPS/0/2/JER/PPT_PROYECTOS/2022/ESP-2022-03-09-Portafolio-marzo-web.pdf

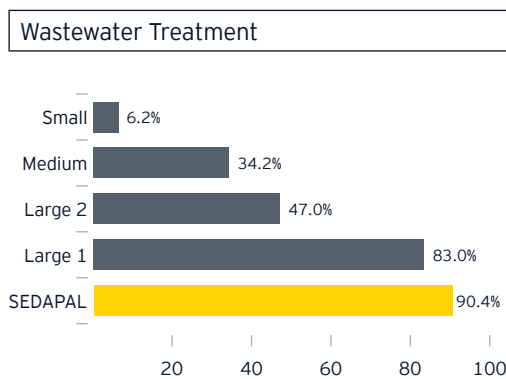
The company with the highest coverage of drinking water by area of influence in 2020 was SEDAPAL with 93.1% in Lima. Medium-sized companies had an average coverage of 81.5%.

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



Source: National Superintendency of Sanitation Services (SUNASS) (2020)

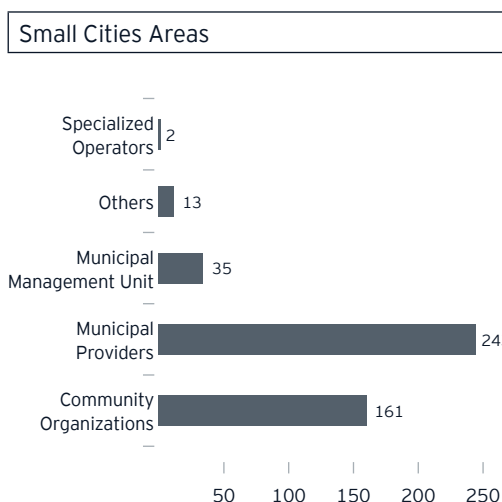
SEDAPAL treats 90.4% of the collected wastewater, while on average small companies treat only 6.2%. The national average for wastewater treatment is 77.5%.



Source: National Superintendency of Sanitation Services (SUNASS) (2020)

Small City Areas

There are 603 Community Organizations that provide water services, of which 454 have follow-up and monitoring by SUNASS, and are grouped according to ownership into Community Organizations (161), Municipal Providers (243), Municipal Management Unit (35), others (13) and Specialized Operators (2).

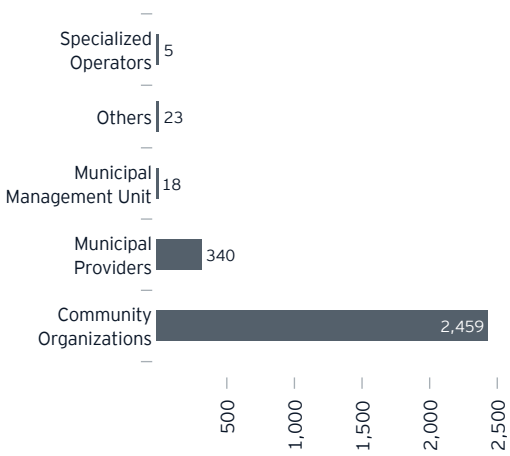


Source: National Superintendency of Sanitation Services (SUNASS) (2020)

Rural Areas

There are 27,000 Community Organizations that provide water services, of which 2,845 have follow-up and monitoring by SUNASS, and are grouped according to ownership into Community Organizations (2,459), Municipal Providers (340), Municipal Management Unit (18), others (23) and Specialized Operators (5).

Rural Areas



Source: National Superintendency of Sanitation Services (SUNASS) (2020)

It should be noted that 93% of the population in urban areas has access to the Public Water Network, while in rural areas access is only for 77% of the population.

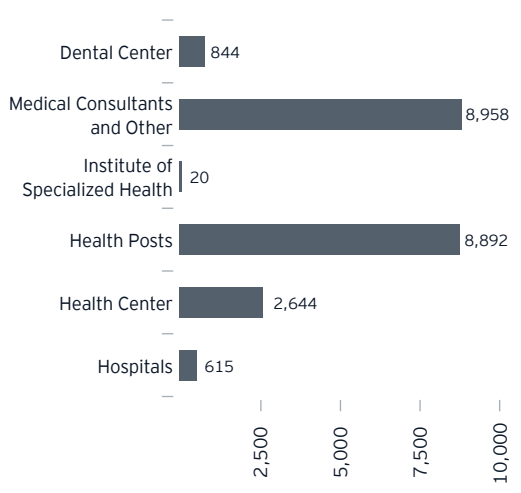
Peru has experience in Public-Private Partnerships (PPPs) for the development of Wastewater Treatment Plants (WWTP) such as La Chira WWTP and Taboada WWTP projects that help to decontaminate the wastewater produced in Lima Metropolitan Area (Lima and Callao). In addition, the Titicaca WWTP has been awarded,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

Additionally, Peru has developed projects in water and sanitation under the Works for Taxes mechanism, ranking as one of the most important sectors with respect to investment amount.

6. Healthcare

Health infrastructure is made up of Hospitals (3%), Health Centers (12%), Health Posts (41%), Specialized Institutes (0.1%) and Medical and Dental Offices (44%).

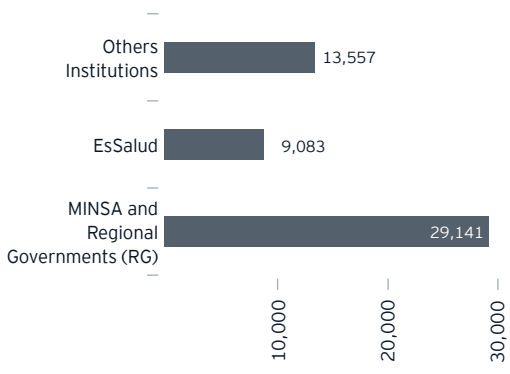
Number of Healthcare Establishments



Source: National Superintendency of Health (SUSALUD) (2020)

It is estimated that there is only one doctor for every 362 habitants and one nurse for every 338 habitants nationwide.

Number of Beds by Healthcare Entity



Source: National Superintendency of Health (SUSALUD) (2019)

56% of beds are found in hospitals of the Ministry of Health (MINSA) and Regional Governments (RG), 18% in EsSalud and the remaining 26% in Other Institutions, such as private clinics.

Peru has 16 beds for every 10,000 habitants.

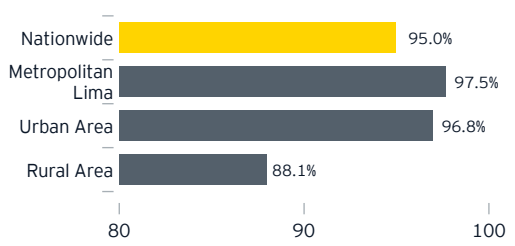
Peru has experience in Public-Private Partnerships (PPPs) in the Healthcare sector such as the Alberto Barton Hospital in the Constitutional Province of Callao and Guillermo Kaelin Hospital in the District of Villa María del Triunfo. Both projects improve the health network of Lima Metropolitan Area (Lima and Callao)⁸. Meanwhile, under the Works for Taxes mechanism, Peru has developed healthcare projects such as hospital construction, ranking as one of the most important sectors with respect to investment amount. It is worth mentioning that under the Government to Government mechanism at least 7 Hospitals among other health infrastructure will be developed.

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

7. Telecommunications

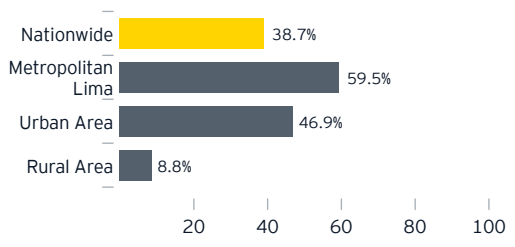
On average, 95.0% of households nationwide have at least one member who owns a telephone, while in Lima Metropolitan Area 97.5% own a telephone, urban areas 96.8% and rural areas 88.1%.

Households with at Least One Member Owning a Telephone



Source: National Institute of Statistics and Information (INEI) (2020)

Households with Internet Service



Source: National Institute of Statistics and Information (INEI) (2020)

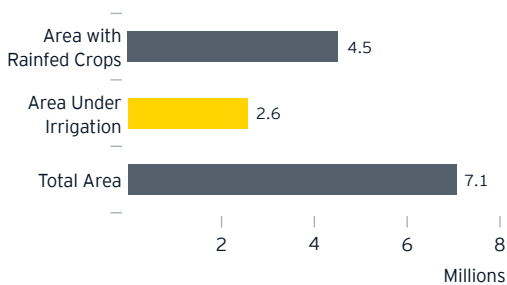
On average 38.7% of households nationwide have access to internet service, while in Lima Metropolitan Area access is 59.5%, urban areas 46.9% and rural areas 8.8% Peru has experience with private participation in the

telecommunications sector. Many of the awarded projects are now in operational phase, including the concession of high-speed internet broadbands. Since 2013, the km of fiber optic laying has increased from 13,375 km to 84,910 km, with 13,636 belonging to the National Fiber Optic Dorsal Network (RDNFO), 8,972 km of Regional Project operators and 62,302 km in charge of 49 operators private.

8. Irrigation

Peru has 7.1 million hectares of agricultural land: 36.2% are under irrigation and 63.8% are rainfed crops. Only 0.5% (12,542 hectares) of agricultural land with irrigation is farmed using modern agricultural methods.

Agricultural Area (in millions ha)



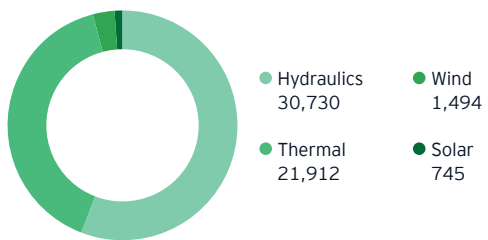
Source: National Institute of Statistics and Information (INEI) (2020)

Regarding private participation Peru has experience in the development of irrigation systems such as the Chavimochic project, and has promoted the development of the Olmos and Majes-Siguas projects, including water transfer for hydroelectric and irrigation purposes (new agricultural land). Peru has also developed irrigation projects under the Works for Taxes mechanism.

9. Power

Electrical energy production is estimated at 57,401 GWh. Energy production in Peru consists mainly of Hydraulic Production (56%) and Thermal Production (40%).

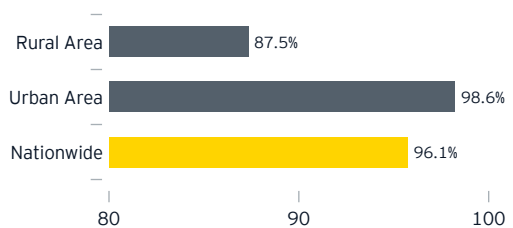
Electrical Energy Production (GWh)



Source: National Institute of Statistics and Information (INEI) (2021)

On average, access to electricity systems in households nationwide is 96.1%, while in urban areas it is 98.6%, and in rural areas, 87.5%.

Percentage of Households with Electricity



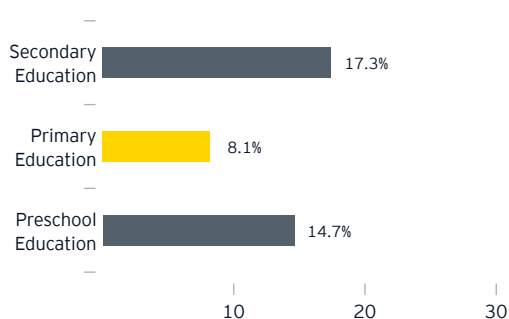
Source: National Institute of Statistics and Information (INEI) (2021)

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

10. Education

In the education sector, the rate of non-enrolled students of Regular Basic Education in 2020 was 14.7% for Preschool Education; 8.1% for Primary Education, and 17.3% for Secondary Education.

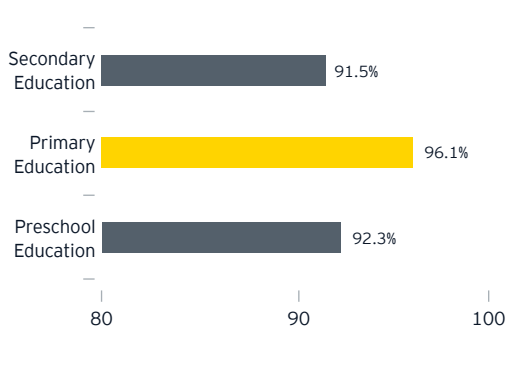
Non Enrolled Students Rate



Source: Ministry of Education (MINEDU) (2020)

In Peru there are 106,631 Regular Basic Education Centers: 53,278 for Preschool Education, 38,411 for Primary Education and 14,942 for Secondary Education. Among them, the percentage of inadequate installed capacity levels is 92.3%, 96.1% and 91.5% respectively.

Inadequate Installed Capacity in Regular Basic Education



Source: Ministry of Education (MINEDU) (2019)

In recent years, Peru has been structuring Public-Private Partnerships (PPPs) projects, seeking to improve infrastructure in the sector and educational quality. Currently, the Ministry of Education (MINEDU) through PROINVERSION has awarded the High-Performance Schools (COAR) for students in the third, fourth and fifth years of secondary education. These COAR schools are currently administered by the National Government.

In addition, some projects referred to as Schools at Risk are currently developed within the framework of the same mechanism, so it is expected that between 2023 and 2024 at least 4 projects of these projects will be awarded. Both COAR and CER the projects included in the pipeline of Public-Private Partnership.

Peru has also developed many educational projects under the Works for Taxes mechanism, mainly the construction of schools, ranking as one of the most important sectors with respect to investment amount.

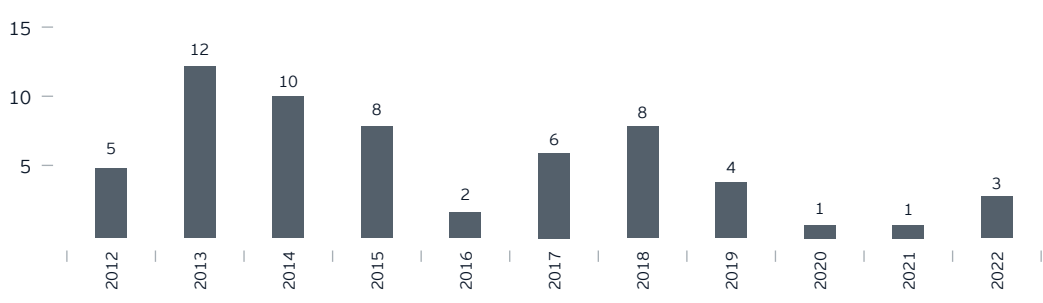
3.

Private Investment in Infrastructure

1. Peruvian experience in Public-Private Partnerships (PPPs)

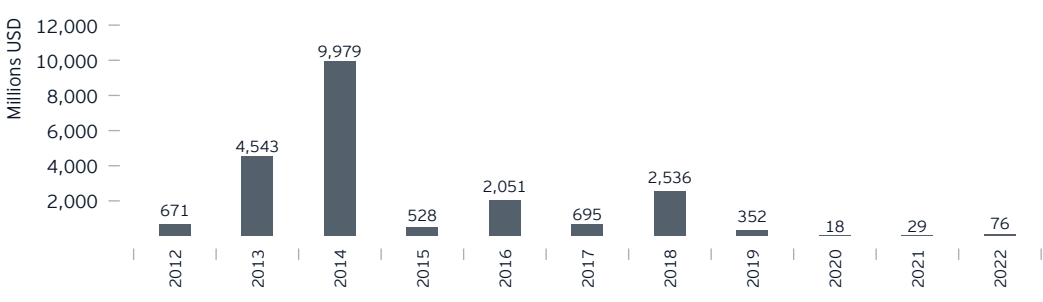
Between 2008 and 2022, 114 PPPs⁹ infrastructure projects were awarded, and a total of USD30 billion in investment commitments.

Number of Awarded Projects, 2012-2022



Source: ProlInversión, EsSalud (Aug-2022)

Investment Commitments, 2012-2022

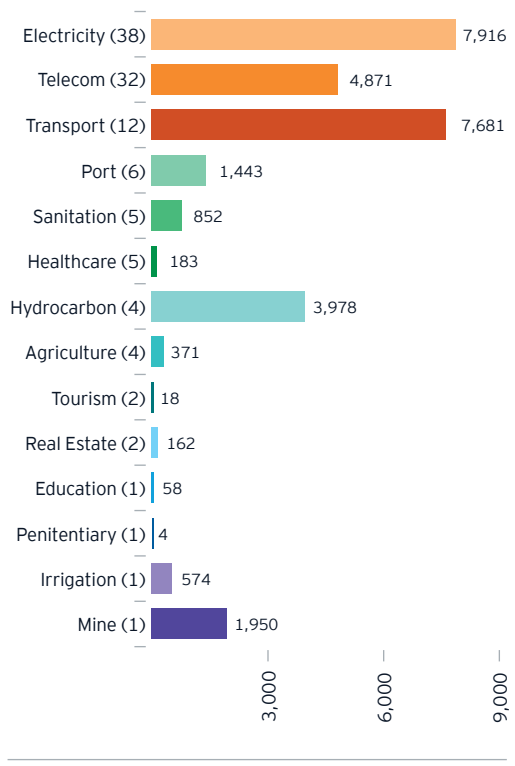


Source: ProlInversión, EsSalud (Aug-2022)

⁹ This also includes the Project in Assets mechanism, which according to the Peruvian Law on Public-Private Partnerships is not a PPP but a private investment.

The sums awarded in Electricity and Transportation projects amounted to more than USD7.9 billion among 38 projects and USD7.7 billion among 12 projects, respectively. In addition, Sanitation shows as one of the sectors with more PPP, with USD852 million among 5 projects. Finally, there are other important sectors such as Tourism, Healthcare and Education, which evidence why Public-Private Partnerships (PPPs) are a powerful mechanism to promote the country's economic development.

Investment by Sector 2008 - 2022 (in USD Millions)

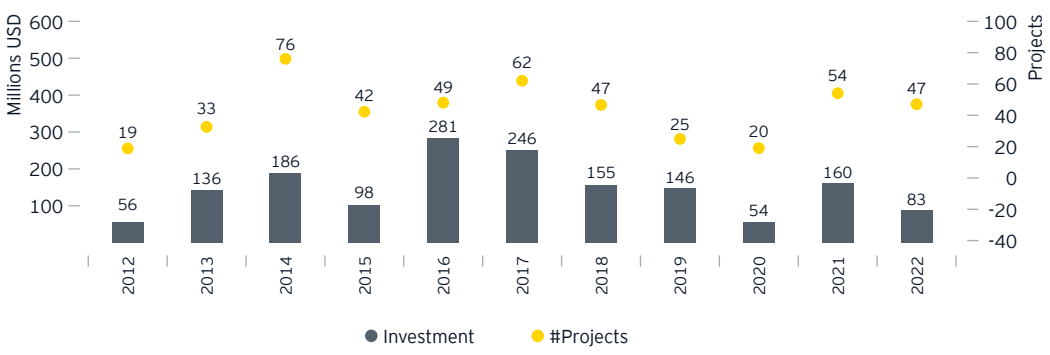


2. Peruvian experience in "Works for Taxes"

This is a relatively new mechanism in Peru; the first project was awarded in 2009. Until August 2022, 489 infrastructure projects have been awarded under the Works for Taxes mechanism for a total of USD1.7 billion.

Source: ProInversión, EsSalud (Aug-2022)

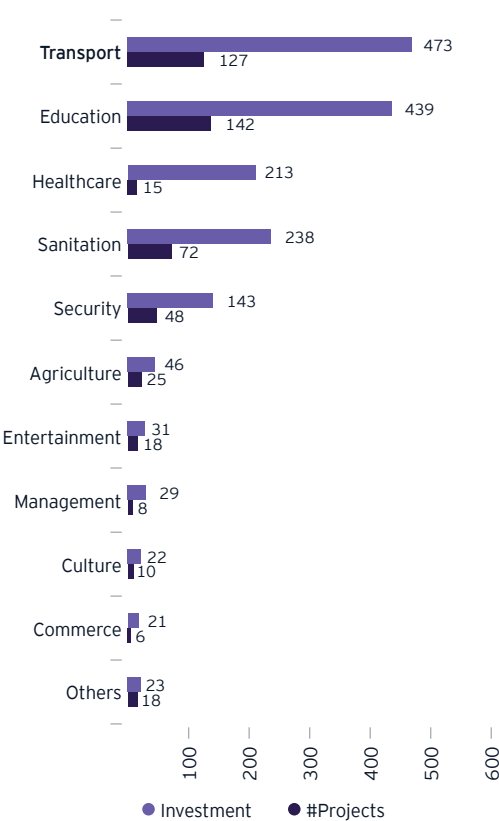
Number of Awarded Projects and Investment Commitments, 2012-2022



Source: ProInversión (Aug-2022)
 (N) Exchange Rate PEN/US\$ of 3.86 (Aug-16-2022)

During this period, the amounts awarded in Transport and Education projects totaled more than USD473 million (127 projects) and USD439 million (142 projects) respectively. There are also other important sectors such as Sanitation, Healthcare and Security. In overall terms, this information shows how Works for Taxes represent an important mechanism to promote the economic development of the country through local projects.

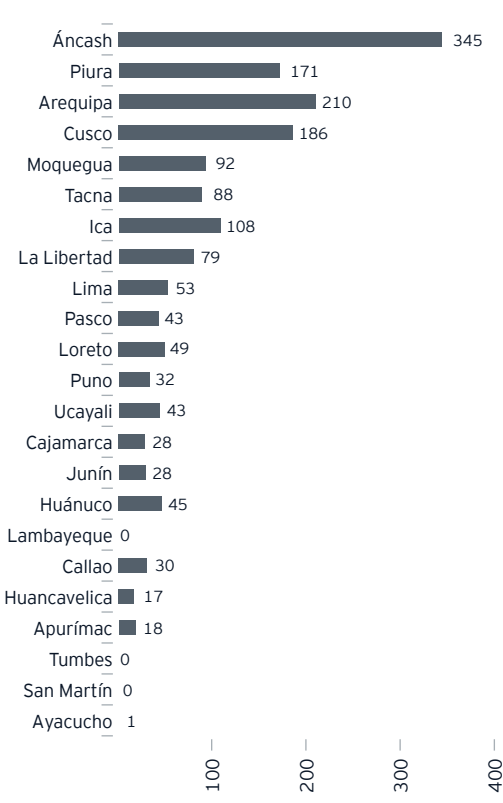
Number of Awarded Projects by Sector and Investment Commitments, 2009-2022



Source: ProInversión, EsSalud (Aug-2022)

At a regional level, Áncash is the main region by executed investments, with a total of USD345 million, followed by Arequipa with USD210 million and Cusco with USD186 million. The following graph shows that the Works for Taxes mechanism has allowed the development of projects in new sectors such as Security, Agriculture, Entertainment, Commerce, among others, for the benefit of the population of each region. One of the most important benefits is that it enhances transparency in the execution of public investment in regional and local areas.

Committed Investment by Region 2009 - 2022 (in USD Millions)



Source: ProInversión, EsSalud (Aug-2022)

3. Peruvian experience in Government to Government (G2G) Agreements

Peru has recently signed agreements under the Government to Government (G2G) scheme with countries with proven experience in the

infrastructure sector, as can be seen in the following chart:

Project	Country	Date Signature of Agreement	Project / Location	Estimated Investment (USD Millions)
Minedu-Special Public Investment Project Bicentennial School ¹⁰	United Kingdom	November 2021	75 schools in 9 regions	695
MTC-Provias Nacional - Central Highway ¹¹	France	May 2021	Lima and Junín	3,024
Reconstruction with Changes ¹²	United Kingdom	June 2020	15 hospitals and 74 schools / North Coast and Highlands	640
			Integral solution for 17 rivers, 5 gorges and a drainage system in 7 cities / North coast	1,400
Hospitals from Peruvian Ministry of Health (MINSa) ¹³	France	June 2020	Finishing execution of works in Antonio Lorena Hospital / Cusco	70
			Improving and extension of Sergio Bernales Hospital / Lima	220
Chincheru Airport (Cusco) ¹⁴	South Korea	October 2019	Chincheru Airport / Cusco	500
Pan American and Parapan American Games Lima 2019 ¹⁵	United Kingdom	April 2017	<ul style="list-style-type: none"> - Pan American Villa - National Sports Villa - Villa Maria del Triunfo Sports Complex - Yahuar Huaca Sports Complex - Gymnastic Sports Center 	560

Source: Central Reserve Bank of Peru (BCRP) El Peruano Official Gazette
Elaboration: EY

¹⁰ Peru Government. <https://www.gob.pe/institucion/minedu/noticias/552841-minedu-suscribe-contrato-gobierno-a-gobierno-con-reino-unido-que-beneficiara-a-mas-de-100-mil-estudiantes>

¹¹ Peru Government. <https://elperuano.pe/noticia/121547-peru-suscribe-acuerdo-con-francia-para-la-ejecucion-de-la-carretera-central-daniel-alcides-carrion>

¹² Peru Government. <https://elperuano.pe/noticia/97623-el-peru-y-reino-unido-firman-acuerdo-para-ejecucion-de-obras-de-reconstruccion>

¹³ El Peruano Newspaper. <https://elperuano.pe/noticia/98858-peru-y-francia-firman-contrato-para-mejorar-los-hospitales-antonio-lorena-de-cusco-y-sergio-bernales>

¹⁴ El Peruano Newspaper. <https://www.gob.pe/institucion/mtc/noticias/61363-firma-de-contrato-entre-peru-y-corea-para-la-construccion-del-aeropuerto-de-chincheru-marca-un-punto-sin-retorno>

¹⁵ BCRP. <https://www.bcrp.gob.pe/docs/Publicaciones/Reporte-Inflacion/2018/junio/ri-junio-2018-recuadro-4.pdf>

4. Infrastructure Business Cases

Considering Peruvian Public-Private Partnerships (PPPs) experience, it is worth including some business cases to show how private investments in infrastructure can have a positive impact in society and improve the quality of life of Peruvian people.

The following three projects are presented as examples of good performance and management within the Transportation, Water and Sanitation, and Tourism sectors.



1. Line 1 of Lima and Callao Metro System

Line 1 of Lima and Callao Metro System started operations in January 2012. This 33.1 km urban railway considers 26 stations and travels through nine districts: Villa El Salvador, Villa María del Triunfo, San Juan de Miraflores, Santiago de Surco, San Borja, La Victoria, Cercado de Lima, El Agustino and San Juan de Lurigancho. Additionally, according to the Electric Train Autonomous Authority (AATE) Line 1 works with electric power, therefore, there is no emission of greenhouse gases, reducing more than 32,000 tons of carbon dioxide per year¹⁶.

One of the main benefits of the project is to reduce travel time from Villa El Salvador to Villa Maria del Triunfo from 120 minutes to 54 minutes. This is very important because nowadays traffic congestion in Lima is a serious problem¹⁷. This project helps to decongest the traffic by creating a new alternative for mass public transport.

“

To promote a greater portfolio of projects as in previous years, the app structuring process needs to be streamlined, it is key to reactivating the PPP portfolio.

Camilo Carrillo
Infrastructure Leader



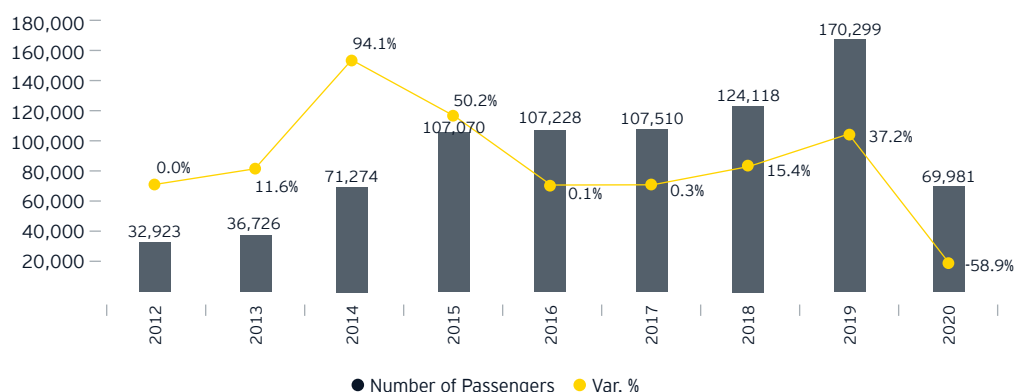
¹⁶ Ministry of Transportation and Communications (MTC). https://portal.mtc.gob.pe/logros_metros.html#:~:text=La%20L%C3%ADnea%201%20ha%20permitido,dos%20horas%20a%2054%20minutos

¹⁷ According to Ipsos (2019), citizens are of the opinion that this is the third worst problem, after the i) lack of public security and ii) public cleaning and environmental pollution.

The following chart shows the passenger traffic evolution, with a compound annual growth rate of 26.5% (2012-2019), before COVID-19. This rapid growth reflects public

interest and the need for mass transport projects in the Lima Metropolitan Area.

Evolution of Passenger Traffic (in Thousands of Passengers)



Source: Supervisory Agency for Investment in Public Use Transport Infrastructure (OSITRAN) (2020)

In February 2015, GyM Ferrovías, the concessionaire of Line 1 of the Lima and Callao Metro System, issued S/629 million (around USD185 million) in bonds. The funds obtained were used to repay the debt that resulted from the acquisition of trains and for the construction of the metro's maintenance workshop. The issue's tenor was 25 years, at an annual rate of 4.75%¹⁸. According to public sources, the main participants were insurance companies and local pension funds. The structuring agent of the bond issue was CAF, the Development Bank of Latin America, which offers financial consultancy services including the structuring of financing operations for infrastructure projects in the region, and BNP Paribas.

In a second operation in August 2017, the project borrowed USD316 million from the Japanese financial institutions Mizuho Bank and Sumitomo Mitsui Banking for a period of 16 years, which were backed by the securitization of the payments guaranteed by the Peruvian government¹⁹. This loan allowed the concessionaire to continue with civil works on five stations and the acquisition of new rolling stock. In addition, these financial entities provided a revolving credit facility of USD80 million, for three years. In conclusion, having appropriate financial guarantees improves access to financing and better financing conditions, which can be transferred to end-users in a competitive bid and by an appropriate risk assignment mechanism.

¹⁸ CAF. <https://www.caf.com/en/currently/news/2015/02/successful-financing-operation-for-line-1-of-lima-s-metro/>

¹⁹ LEXLATIN. <https://lexlatin.com/noticias/gym-ferrovias-obtiene-financiamiento-por-usd-316-millones-para-ampliacion-de-la-linea-1>

2. La Chira and Taboada Wastewater Treatment Plants

La Chira Wastewater Treatment Plant benefits more than 2.6 million people in Lima and Callao. It treats wastewater of 18 districts of the city of Lima. The main goal is to decontaminate the south coast of Lima, and, consequently, the advanced preliminary treatment of wastewater is carried out to improve the quality of life and marine ecosystem²⁰.

Meanwhile, the Taboada Wastewater Treatment Plant has become the main treatment system in South America.

Taboada and La Chira plants treat together 71% of the wastewater treated nationwide^{21 22}.

SEDAPAL is the main water service company. In 2020, it removed 71% of total wastewater treated in Peru. Additionally, the wastewater removed by SEDAPAL has increased at a compounded annual growth rate of 6.5% in the last eight years. La Chira and Taboada Wastewater Treatment Plants are under the competency of SEDAPAL and both plants removed an average of 80.5% of the total wastewater treated by SEDAPAL between 2013 and 2020. Therefore, these plants play an important role in wastewater treatment in Peru.

Volume of Collected and Treated Wastewater in Peru, 2020 (in Thousands of Cubic Meters)

	Collection of Wastewater	%	Treatment of Wastewater	%
SEDAPAL	729,163	60.8%	659,272	71.0%
Large 1	189,974	15.8%	157,641	17.0%
Large 2	178,667	14.9%	83,975	9.0%
Medium	77,343	6.5%	26,461	2.8%
Small	23,719	2.0%	1,467	0.2%
Total	1,198,866	100.0%	928,816	100.0%

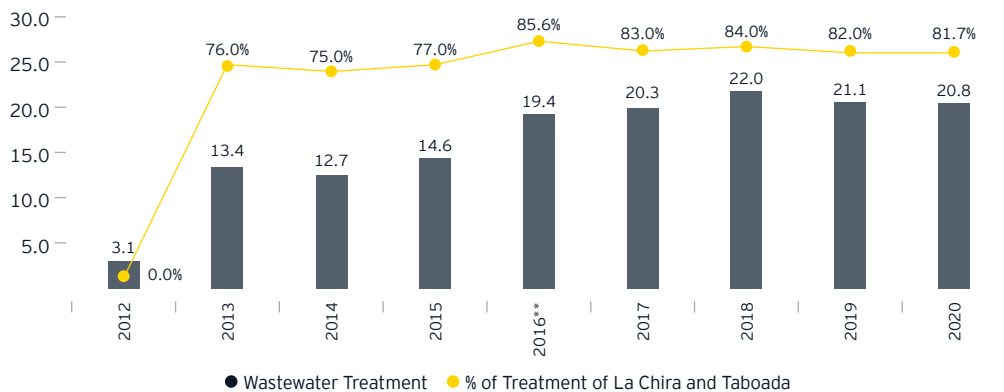
Source: National Superintendency of Sanitation Services (SUNASS) (2020)

²⁰ Cumbra. <https://www.cumbra.com.pe/proyectos/ptar-la-chira/>

²¹ Grupo Cobra. <https://www.grupocobra.com/proyecto/planta-potabilizadora-aguas-residuales-ptar-taboada/>

²² SEDAPAL. <https://www.sunass.gob.pe/wp-content/uploads/2021/08/INFORME-N%C2%B00698-2021-SUNASS-DF-F-1.pdf>

Evolution of Wastewater Treatment by SEDAPAL (in Cubic Meters/Second)



Source: SEDAPAL Annual Report 2020²³
 Elaboration: EY

In February 2012, a trust agreement was signed between La Chira S.A. Concessionaire and BBVA Sociedad Titulizadora S.A. in order to transfer RPICAO to this trust (Trust I). RPICAO are transferable certificates that support Peruvian government payment obligations. In this context, BBVA Peru, through a credit agreement, granted a loan of S/250 million (around USD92.6 million) to Trust I to be paid with RPICAO receivables.

In addition, in August 2016 a second trust agreement (Trust II) was established to issue S/400 million (around USD116 million) in securitized bonds. These bonds consider two issues for 20 years (each one) at an

annual rate of 4.75% and quarterly payments²⁴.

In 2011, ACS closed the S/942 million (around USD340 million) local currency bond financing for its Taboada water treatment concession in Peru. The financing, led by BNP Paribas, received a AAA local and BBB global rating from Fitch. This issue consists of three tranches: S/572.089 million (around USD206.5 million) which matures in 2029, S/220 million (approximately USD79.5 million) due in 2033, and a delayed-draw series of S/150 million (around USD54 million) also due in 2033, which can be drawn after project completion²⁵.

²³ Drinking Water and Sewerage System of Lima (SEDAPAL) - SEDAPAL Annual Report 2020. <https://www.sedapal.com.pe/storage/admin-forms/transparecy/proyecto-de-memoria-anual-2020.pdf>

* Taboada Wastewater Treatment Plant started operations in 2013.

** La Chira Wastewater Treatment Plant started operations in 2016.

²⁴ Moody's Local. <https://www.moodylocal.com/resources/res-documents/pe/ratings/lachiraset19.pdf>

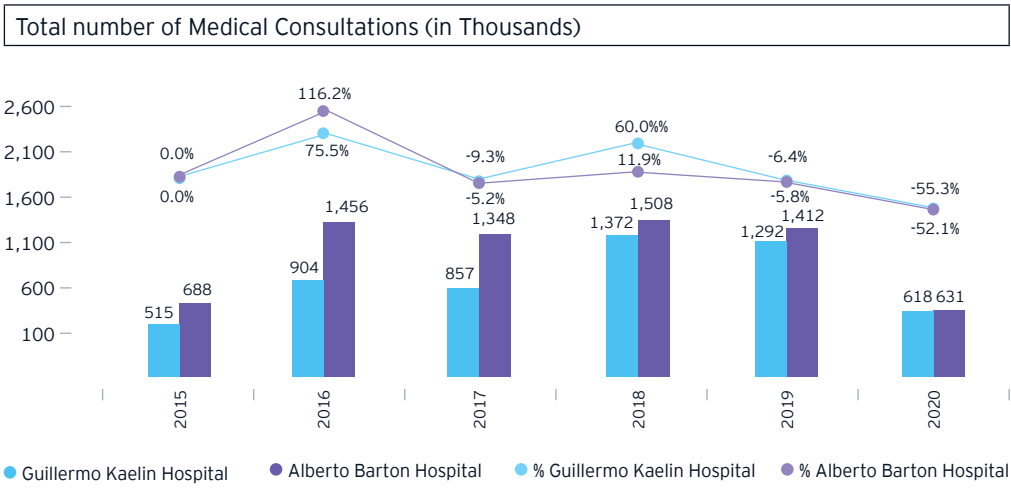
²⁵ Latin Finance. <https://www.latinfinance.com/daily-briefs/2011/3/15/taboada-raises-wastewater-abs>

3. Alberto Barton Hospital and Guillermo Kaelin Hospital

The Alberto Barton Hospital III Project and the Guillermo Kaelín Hospital III Project have been developed under the Public-Private Partnership modality. The projects are located in Callao and Villa Maria del Triunfo districts, benefiting the assistance networks of the Insured of the Sabogal Assistance Network and the Rebagliati Assistance Network.

The projects include clinical and non-clinical services developed under the White Coat scheme, benefiting 500,000 policyholders and a total of 400 hospital beds.

The average growth rate of hospital care in the Alberto Barton and Guillermo Klein hospitals has been 19.7% and 25.8% between 2015-2019, respectively, showing the high demand for improvement in health services. In addition, the service indicators of the contract show better results in both hospitals when compared with the rest of ESSALUD Hospitals (state social security agency). In 2016, the level of satisfaction of hospitals under the PPP mechanism was greater than 80% and in 2020 the level of satisfaction reached levels greater than 95%²⁶.



Source: Annual Report - Guillermo Klein Hospital, Annual Report - Alberto Barton Hospital
Elaboration: EY

²⁶ Annual Report
 * Alberto Barton Hospital. <https://barton.pe/complejo-hospitalario-alberto-leonardo-barton-thompson/>
 ** Guillermo Kaelin Hospital. <https://kaelin.pe/complejo-hospitalario-guillermo-kaelin-de-la-fuente/>

4.

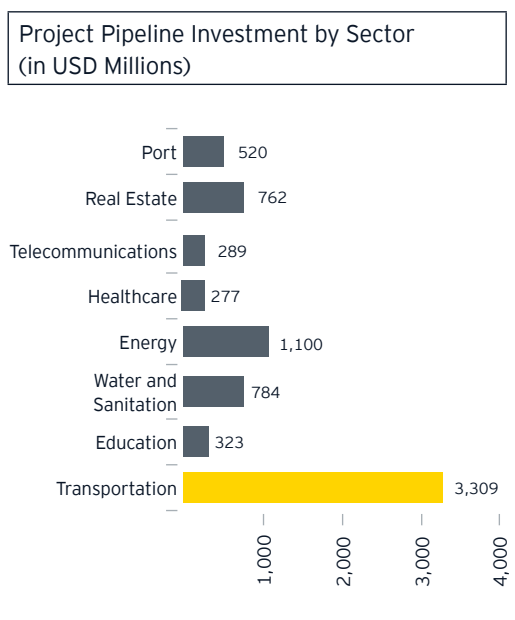
Projects Pipeline for Closing Gaps

Seeking to close the existing infrastructure gap, the Peruvian government has developed different mechanisms to promote and create incentive for private investment in infrastructure projects.

Through these mechanisms, diverse infrastructure projects have been implemented, including a vast number of sectors, different levels of competency (local, regional or national projects) and amount of investment (large, medium or small). All have in common their positive impact on the quality of life of Peruvian citizens. Bearing in mind the above, Peruvian institutions have developed their project pipelines for the coming years. These are not limited (unsolicited proposals can be presented) and are gradually updated for the incorporation of new projects as new studies are developed.

1. Public-Private Partnership (PPP) Projects Pipeline

The Project Pipeline (2022 - 2023) under the Public-Private Partnership (PPPs) mechanism includes a total of 24 projects distributed in different sectors with a total estimated investment of USD7.4 billion²⁷. The main sectors by investment are Transportation (2 projects), Electricity (10 projects) Water and Sanitation (4 projects), Real Estate (1 project) and Education (2 projects).



Source: ProInversión (Sep-2022)

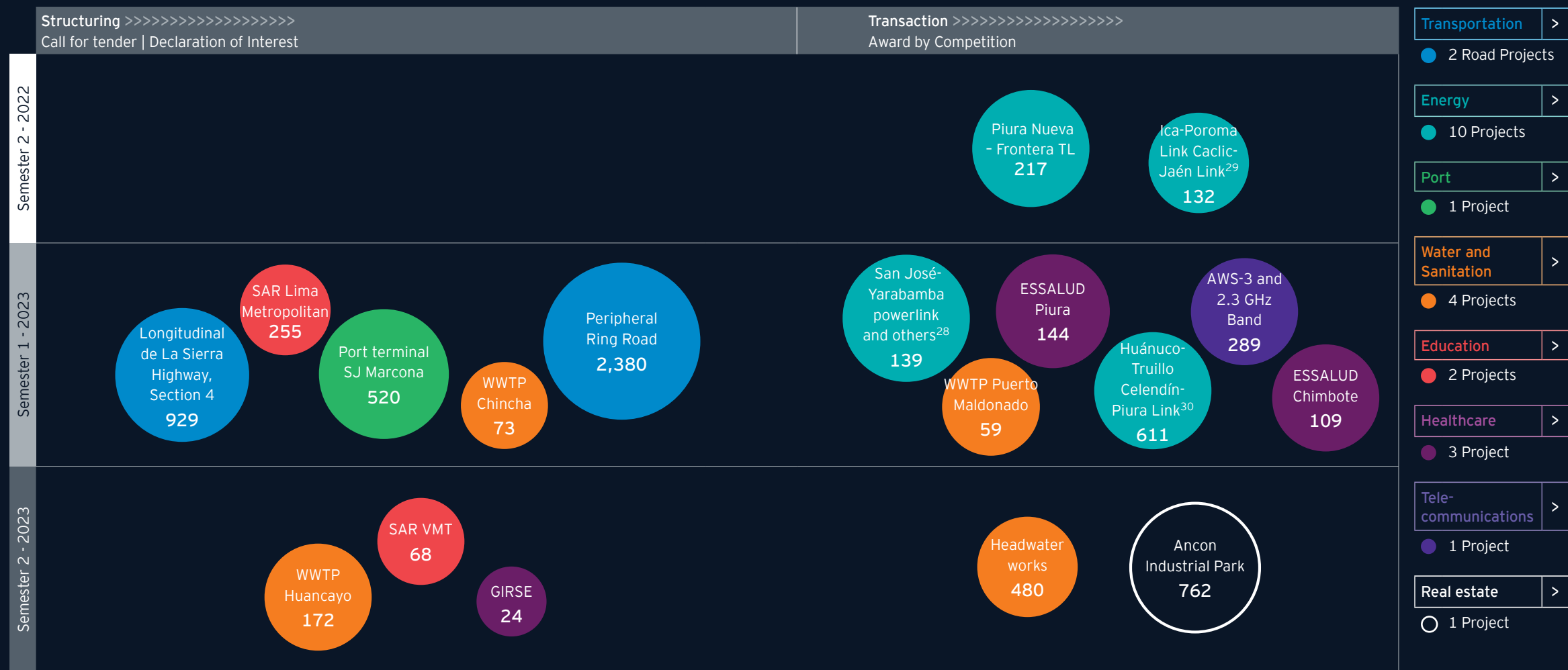
²⁷ Private Investment Promotion Agency. ProInversión. <https://www.investinperu.pe/es/app/portafolio-de-inversion>

Public-Private Partnerships (PPPs) Projects Pipeline

click on the colored dots for more information on the project

Matured Projects (2022 - 2023) (in USD Millions)

For the 2022-2023 period, 24 projects are being promoted, with an estimated investment amount of USD7.4 billion.



Infrastructure Potential

60 / 61

Guide to Investing in Infrastructure Projects in Peru 2022 / 2023

Source: ProInversión (Sep-2022)

Elaboration: EY

²⁸ San José-Yarabamba powerlink and others: 5 projects.

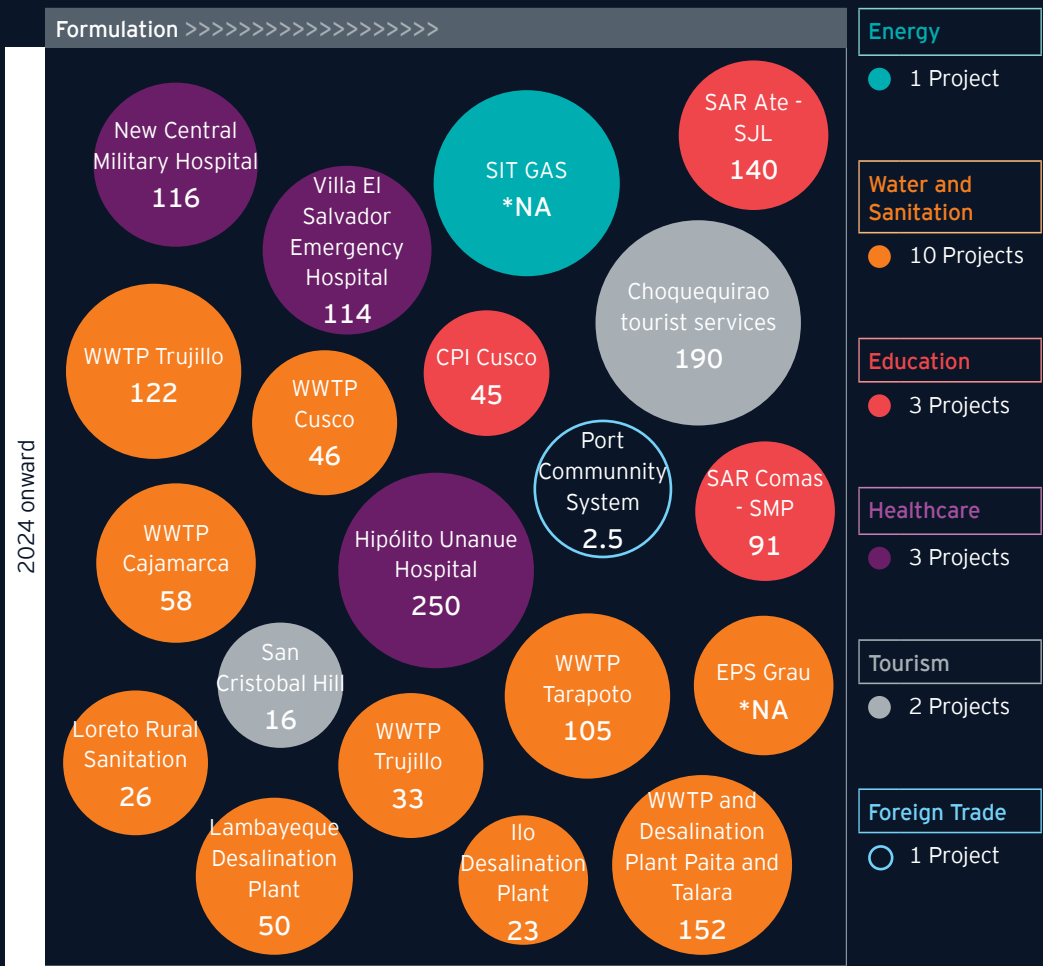
²⁹ Ica - Poroma Link and Caclic - Jaén Link: 2 projects.

³⁰ Huánuco - Trujillo - Celendín - Piura Link: 2 projects.




Maturing Projects (2024 onward) (in USD Millions)

For the 2024 onward period, 20 projects are being promoted, with an estimated investment amount of USD1.5 billion.



Source: ProInversión (Sep-2022) Elaboration: EY *To be define

Public-Private Partnerships (PPPs) Projects Pipeline

 **click** on the colored dots for more information on the project

For the 2022-2023 period, 24 projects are being promoted, with an estimated investment amount of USD7.4 billion.

- Transportation >
 - 2 Road Projects
- Energy >
 - 10 Projects
- Port >
 - 1 Project
- Water and Sanitation >
 - 4 Projects
- Education >
 - 2 Projects
- Healthcare >
 - 3 Projects
- Telecommunications >
 - 1 Project
- Real estate >
 - 1 Project



Source: ProInversión (Sep-2022)
Elaboration: EY

Projects Pipeline


The following table shows the investments for each project according to the sector with a total investment of USD7.4 billion.

Projects	Investment USD MM	Term
Transportation	3,309	
Peripheral Ring Road Lima - Callao	2,380	30
Longitudinal de La Sierra Highway, Section 4	929	25
Energy	1,100	
San José - Yarabamba powerlink and Others	139	
TL 500 KV Piura Nueva - Border	217	30
Ica - Poroma Link and Caclic - Jaén CTF	132	30
Huánuco-Tocache-Celendín-Trujillo Link & Celendín - Piura Link	611	30
Port	520	
Port Terminal SJ Marcona	520	30
Water and Sanitation	784	
Wastewater Treatment Plant (WWTP) Puerto Maldonado	59	22.5
Wastewater Treatment Plant (WWTP) Huancayo, El Tambo and Chilca	172	23
Head Works and Conveyance for the Drinking Water Supply in Lima	480	30
Wastewater Treatment Plant (WWTP) Ica, Chincha	73	23
Education	323	
Schools at Risk in Metropolitan Lima	255	20
Schools at Risk in Villa Maria del Triunfo (VMT)	68	20
Healthcare	277	
High Complexity Hospital - Chimbote (ESSALUD Chimbote)	109	20
High Complexity Hospital - Piura (ESSALUD Piura)	144	20
Comprehensive Management of Solid Waste in Healthcare Facilities of the Ministry of Health in Metropolitan Lima (GIRSE)	24	20
Telecommunications	289	
Radio Spectrum Bands: (i) 1750 - 1780 MHz, y 2150 - 2180 MHz, y (ii) 2300 - 2330 MHz	289	20
Real Estate	762	
Ancon Industrial Park	762	16
Total	7,364	

* To be defined

Source: ProInversión (Sep-2022)


Elaboration: EY

- ◀ Matured Projects 
- ◀ Projects by Region

Transportation (roads)

Peripheral Ring Road Lima - Callao

It contemplates the design, construction, operation and maintenance of a highway that crosses 11 districts of the city of Lima, and one of the Constitutional Province of Callao from the intersection with Av. Elmer Faucett with Av. Canta Callao to Av. Circunvalación in the district of San Luis.

- ▶ **Investment USD MM**
2,380
- ▶ **Term**
30 years
- ▶ **Condition**
Co-financed Private Initiative
- ▶ **Stage**
Structuring - Declaration of Interest (H1 -2023)
- ▶ **Regions**
Lima, Callao
- ▶ **More information**
<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=5> 



Transportation (roads)

Longitudinal de La Sierra Highway, Section 4

This project consists of the improvement, rehabilitation, maintenance and operation works of approximately 970 km of subsections roads in the Peruvian Highlands. Main interventions:

1. Construction of the new San Clemente bypass, 5.20 km long.
2. Rehabilitation and improvement of the existing subsections along 179.30 km, covering the Huancayo-Izcuchaca and Izcuchaca-Mayocc, road segments.
3. Initial Periodic Maintenance of the existing subsections along 780.70 km, covering the Mayocc-Ayacucho-Andahuaylas-Puente Sahuínto and Ayacucho-Huaytará - Div.Pisco, road segments.


▶ **Investment USD MM**
929

▶ **Term**
25 years



▶ **Condition**
Co-financed Public Initiative

▶ **Stage**
Transaction - Call for Tender (H1 - 2023)

▶ **Regions**
Junín, Huancavelica, Ica, Ayacucho, Apurímac

▶ **More information**
<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=80> 




- ◀ Matured Projects 
- ◀ Projects by Region 

Energy (electricity)

220 kV Belaunde Terry - Tarapoto Norte Link, 500 kV San José-Yarabamba Link, CTF 220 kV Piura Nueva - Colán Link, CTF SE Lambayeque Norte 220 kV with sectioning of the TL 220 kV Chiclayo Oeste - La Niña/Felam, and Piura Este 100 MVA 220/60/23 kV substation

The general objectives of the projects are to improve the operating conditions of the transmission, avoid congestion in neighboring transmission lines and increase the transmission capacity to meet the growth in electricity demand in their respective areas of influence.

- ▶ **Investment USD MM**
139
- ▶ **Term**
30 years
- ▶ **Condition**
Self-financed Public Initiative
- ▶ **Stage**
Transaction - Award by Competitive Bidding (H1 - 2023)
- ▶ **Regions**
San Martín, Arequipa, Lambayeque and Piura
- ▶ **More information**
<https://www.investinperu.pe/es/app/DatosProyecto?idAPProyecto=649> 



- Matured Projects
- Projects by Region

Energy (electricity)

Transmission Line 500 kV Piura Nueva - Frontera

The Comprehensive Peru-Ecuador Interconnection project includes the construction of a 500 KW Transmission Line that will link the Chorrillos Station, in Ecuador, with the La Niña Substation in Peru, and includes the construction of two intermediate substations: Pasaje in Ecuador and Nuevo Piura in Peru.

▶ **Investment USD MM**

217

▶ **Term**

30 years

▶ **Condition**

Self-financed Public Initiative

▶ **Stage**

Transaction - Award by Competitive Bidding (H2 - 2022)

▶ **Regions**

Tumbes, Piura

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=160>

Ica – Poroma Link - Cálclic - Jaén CTF

The projects consist of the installation of the Transmission Line 220 kV SE Ica - SE Nueva Intermedia - SE Poroma (140 Km), Underground Line 220 kV (1 Km), Transmission Line Derivation 220 kV (4 Km), expansion of SE Ica, SE Nueva Intermedia and expansion of SE Poroma. Installation of the 220 kV Caclic - Jaen Norte transmission line, three 60 kV transmission lines, construction of the SE Jaen Norte 220/60/22.9 kV and expansion of the SE Caclic, SE Jaen, SE Nueva Jaen and SE Bagua

▶ **Investment USD MM**

132

▶ **Term**

30 years

▶ **Condition**

Self-financed Public Initiative

▶ **Stage**




Transaction - Award by Competition (H2 - 2022)

▶ **Regions**

Ica, Amazonas, Cajamarca

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=641>

-  Matured Projects
-  Projects by Region 

Energy (electricity)

500 kV Huánuco - Tocache - Celendín - Trujillo Link & 500 kV Celendín - Piura Link

The objective of the first project is to be an alternative 500 kV electric power transmission, between the Center (Huánuco) and North (Trujillo) of the country, linking the new Tocache and Celendín substations. In case of emergency, it will supply power to Piura, Trujillo and Chimbote. The second one enables the transmission of electrical energy in 500 kV, between the Center (Huánuco) and the extreme North (Piura) of the country, starting from the Celendín 500 kV substation. In case of emergency, it will supply power to Piura and Trujillo.

▶ **Investment USD MM**

611

▶ **Term**

30 years

▶ **Condition**

Self-financed Public Initiative

▶ **Stage**

Transaction- Award by Competition (H1 - 2023)

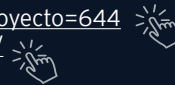
▶ **Regions**

Huánuco, San Martín, La Libertad, Cajamarca, Piura.

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=644>

<https://info.proinversion.gob.pe/enlaces-Huánuco-Celendín/>



© Proinversión

< Matured Projects

< Projects by Region



Port

Port Terminal SJ Marcona

This project includes the design, financing, construction, operation and maintenance of a new port terminal for public use, specialized in providing storage and shipping services for iron and copper concentrates, as well as mining production inputs.

▶ **Investment USD MM**

520

▶ **Term**

30 years

▶ **Condition**

Self-financed Private Initiative

▶ **Stage**

Structuring - Declaration of Interest (H1 - 2023)

▶ **Regions**


Ica, Apurimac, Arequipa.

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=121>



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- ◀ Matured Projects 
- ◀ Projects by Region

Water and Sanitation

Wastewater Treatment Plant - WWTP Puerto Maldonado

This project includes the design, financing, construction, operation and maintenance of WWTP in Chapajal of 400 l/s, installation of nine collectors, construction of six pumping chambers and drive lines

▶ **Investment USD MM**

59

▶ **Term**

23 years

▶ **Condition**

Co-financed Public Initiative

▶ **Stage**

Transaction - Award by Competitive Bidding (H1 -2023)




▶ **Regions**

Madre de Dios

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=115> 



-  Matured Projects
-  Projects by Region 

Water and Sanitation

Wastewater Treatment Plant - WWTP Huancayo, El Tambo and Chilca

This project includes the new layout of six collectors, construction of four wastewater pumping stations and construction of a WWTP of 80,700 m³ / h of average flow, in order to provide treatment to wastewater for reuse

► **Investment USD MM**

172

► **Term**

23 years

► **Condition**

Co-financed Private Initiative

► **Stage**

Structuring - Declaration of Interest (H2 - 2023)

► **Regions**

Junín

► **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=85> 

Headworks And Conduction for the Drinking Water Supply in Lima

This project includes the design, financing, construction, operation and maintenance of the following works: Regrowth of Pomacocha and Huallacocha Bajo Dams, Trans-Andean Tunnel (10 km), Huachipa II Water Treatment Plant (5 m³/s), supplementary reservoirs (137,000 m³), South Branch (40 km) including seven reservoirs and interconnection lines (90 km). It also includes the operation and maintenance of the following existing works: Huachipa Bocatoma, Huachipa I Plant (5 m³/s) and North Branch (27 km).

► **Investment USD MM**

480

► **Term**

30 years

► **Condition**

Self-financed Public Initiative

► **Stage**


Structuring - Call for Tender (H2 - 2023)

► **Regions**

Junín, Lima

► **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=61> 

- ◀ Matured Projects
- ◀ Projects by Region 

Water and Sanitation

Wastewater Treatment Plant - WWTP Chincha

This project includes the new layout of collectors, construction of wastewater pumping stations and construction of a WWTP, in order to provide treatment to wastewater for reuse.

▶ **Investment USD MM**

73

▶ **Term**

23 years

▶ **Condition**

Co-financed Private Initiative

▶ **Stage**

Structuring - Declaration of Interest (H1 - 2023)

▶ **Regions**


Ica

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=151>



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- ◀ Matured Projects
- ◀ Projects by Region 

Education

Schools at Risk (CER) Metropolitan Lima

This project includes the construction, equipment, operation of supplementary services and the maintenance of school infrastructure, furniture and equipment - 13 Projects

▶ **Investment USD MM**

255

▶ **Term**

20 years

▶ **Condition**

Co-Financed Private Initiative

▶ **Stage**

Structuring - Declaration of Interest (H1 - 2023)


▶ **Regions**

Lima

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=12> 




- ◀ Matured Projects
- ◀ Projects by Region 

Education


Schools at Risk (Cer) District of Villa María del Triunfo

This project includes the construction, equipment, operation of supplementary services and the maintenance of infrastructure, furniture and equipment of schools - 5 Projects.

- ▶ **Investment USD MM**
68
- ▶ **Term**
20 years
- ▶ **Condition**
Co-financed Private Initiative
- ▶ **Stage**
Structuring - Declaration of Interest (H2 - 2023)
- ▶ **Regions**
Lima
- ▶ **More information**
<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=60> 



© Ministerio de Educación

- ◀ Matured Projects 
- ◀ Projects by Region

Healthcare

High Complexity Hospital - Chimbote

This project includes the design, construction, equipment, maintenance and operation of supplementary (nonclinical) services of a high-complexity hospital of the Social Security Health Administration (EsSalud) in Chimbote, Ancash, that will provide clinical services to almost 307,000 insured members of the region.

▶ **Investment USD MM**

109

▶ **Term**

20 years

▶ **Condition**

Co-financed Public Initiative

▶ **Stage**

Transaction - Award by Competition (H1 - 2023)

▶ **Regions**

Ancash

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=52>



High Complexity Hospital - Piura

This project includes the design, construction, equipment, maintenance and operation of supplementary (nonclinical) services of a high-complexity hospital of the Social Security Health Administration, in Piura, that will provide hospital services to almost 640,000 insured members of both Piura and Tumbes.

▶ **Investment USD MM**

144

▶ **Term**

20 years

▶ **Condition**

Co-financed Public Initiative

▶ **Stage**

Transaction - Award by Competition (H1 - 2023)



▶ **Regions**

Piura, Tumbes

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPPProyecto=53>



- ◀ Matured Projects 
- ◀ Projects by Region 

Healthcare

Comprehensive Management of Solid Waste in Healthcare Facilities of the Ministry of Health in Metropolitan Lima (GIRSE)

The project consists of provide solid waste conditioning, segregation, storage, transportation, treatment and disposal services for 387 MINSA health facilities in Metropolitan Lima. It includes building, operating and maintaining facilities for the treatment of biocontaminated and special solid waste.

▶ **Investment USD MM**

24

▶ **Term**

20 years

▶ **Condition**

Co-financed Private Initiative

▶ **Stage**

Structuring - Declaration of Interest (H2 - 2023)



▶ **Regions**

Lima

▶ **More information**

<https://www.investinperu.pe/es/app/DatosProyecto?idAPProyecto=15>




- ◀ Matured Projects 
- ◀ Projects by Region 

Telecommunications




Radio Spectrum Bands:
1. 1750 - 1780 Mhz, And 2150 - 2180 Mhz
2. 2300 - 2330 Mhz

This project includes the development of mobile broadband systems throughout the country, for technologies such as 4G, 5G, or higher. The AWS-3 and 2.3 GHz bands will offer better coverage features and more data capacity.

- ▶ **Investment USD MM**
289
- ▶ **Term**
20 years
- ▶ **Condition**
Project in Assets (public initiative involving state funds or assets)
- ▶ **Stage**
Transaction - Award by Competition (H1 - 2023)
- ▶ **Regions**
Nationwide
- ▶ **More information**
<https://www.investinperu.pe/es/app/DatosProyecto?idAPPproyecto=608> 



© Ministerio de Transportes y Comunicaciones

-  Matured Projects
-  Projects by Region 

Real Estate

Ancón Industrial Park

This project consists of the design, financing, construction, urban habilitation, promotion, management, operation, and maintenance of the Ancon Industrial Park, to provide lots of land including related services for manufacturing and logistics companies. The transaction model is the transfer of ownership of the asset (land) to the private investor, with an investment commitment. The property is transferred, at the signing of the Purchase Agreement, against the payment of the price offered for the land. The land comprises 1,338 hectares of surface of which 715 ha are usable, for set up a modern space for industrial companies of different scale. It will operate under international standards, and become the new industrial center in the northern area of Lima, as well as a benchmark for innovation, modernity, technology, sustainability, entrepreneurship and development.

► Investment USD MM

762

► Term

16 years

► Condition

Project in Assets (public initiative involving state funds or assets)

► Stage

Transaction - Award by Competition (H2 - 2023)

► Regions

Lima

► More information

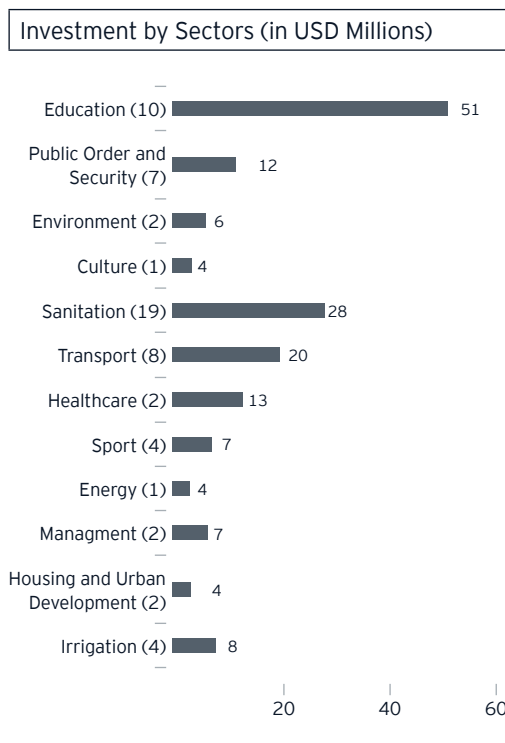
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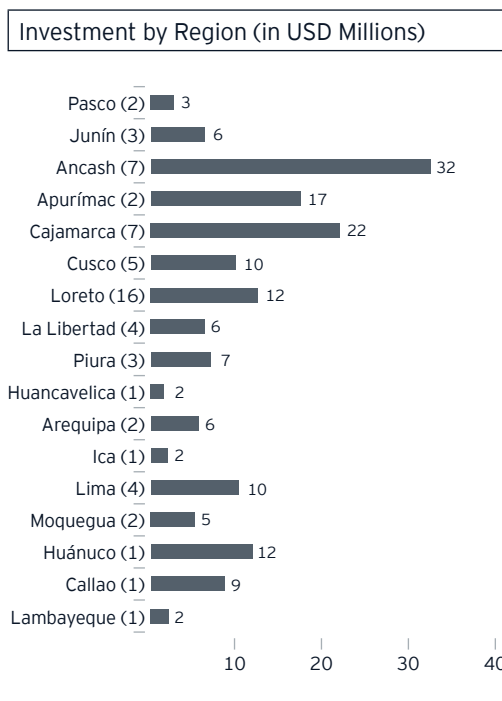
2. Works for Taxes (WT) Pipeline

The pipeline under the Works for Taxes mechanism has a total of 481 projects distributed in different sectors with a total investment of USD1.5 billion. ProInversión has selected 62 projects with USD167 million of investment that meet minimum characteristics such as clean land, projects with advanced technical skills, interest from public entities, among others. The five main sectors are Education (10 projects), Sanitation (19 projects), Transport (8 projects), Health (2 projects) and Public Order and Security (7 projects)³¹.



Source: ProInversión (Aug-2020)

The regions with the highest estimated investment in Works for Taxes pipeline are Áncash with USD32 million within 7 projects, Cajamarca with USD22 million within 7 projects, Apurímac with USD17 million within 2 projects, Loreto with USD12 million within 16 projects, and Huánuco with USD12 million within 1 projects.



Source: ProInversión (Aug-2020)

Relevant projects have been identified, such as the creation of a specialized educational service for high school second grade students with high academic performance in the Apurímac region with an investment of USD16 million and creation of the specialized education service for high school second grade students with high academic performance in the Apurímac region with an investment of USD19 million.

³¹ Private Investment Promotion Agency. ProInversión. <https://www.proinversion.gob.pe/oxi2020/>
<https://www.investinperu.pe/es/oxi/cartera-de-proyectos>

Works For Taxes (WT) Projects Pipeline

For the 2022 period onward, 581 projects are being promoted with an estimated investment amount of USD1.5 billion.



click here for more information.

- ▶ Executed and awarded projects
<https://www.investinperu.pe/es/oxi/estadisticas/proyectos-concluidos-y-adjudicados>
- ▶ Current pipeline
<https://www.investinperu.pe/es/oxi/cartera-de-proyectos-oxi>

- Transport**
63 Road Projects
- Public Order and Security**
28 Project
- Water and Sanitation**
54 Projects
- Education**
154 Projects
- Healthcare**
24 Project
- Commerce**
5 Projects
- Fishing**
14 Projects
- Culture**
14 Projects
- Farming**
59 Projects
- Others**
66 Projects



Source: ProInversión (Aug-2022)
Elaboration: EY

3. Government to Government Pipeline

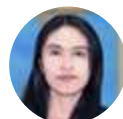
As announced in July 2020, the Government to Government (G2G) mechanism will be used for the development of emblematic infrastructure projects. The approximate investment commitment is estimated at USD10.77 billion.

Government to Government (G2G) Pipeline			
Project	Sector	Location	Estimated Investment USD M
Line 3 and 4 of the Lima and Callao Metro	Transportation	Lima	8,501
24 Sanitation and Drinking Water Projects	Sanitation and Water	Peru	1,417
44 Hospitals	Healthcare	Peru	850
Total Investment			10,768

Source: OSCE (2020)
Elaboration: EY, Current Projects

“Private investment is an ally for the government to provide better public services through the provision of infrastructure. Peru has different mechanisms that makes this collaboration possible, such as PPP, WT, G2G and Projects in Assets. All of these have proven to work in the past and must be reinforced to help closing the infrastructure gap.

Roxanna Vivar
Strategy and Transactions Manager



5.

Access to Infrastructure Financing

1. Local and International Players in Peru

One of the key incentives for governments to promote and develop infrastructure projects through Public-Private Partnerships (PPPs) is the possibility of attracting alternative financing resources from different sources. The financing mechanisms most commonly used in PPP are:

1. Government funding or guarantees,
2. Traditional project finance, or a mixture of both

In number one, government participates in funding capital investments or granting guarantees, among others, to support the country's infrastructure development and to encourage financial institutions to participate in the funding of these projects, while in number two third-party funding is supported by revenues generated solely by the project's operations. Thus, an evaluation of the project's bankability becomes crucial. Either way, a Special Purpose Vehicle (SPV) is created exclusively to develop the project, access funding and isolate project risks. In this context, during the early stages of the structuring phase, to ensure the viability of the projects it is essential to develop bankable infrastructure projects that will have the

capacity of attracting capital. In addition, it is necessary to carry out a market analysis to know how willing the financial market is to finance this type of projects in order to achieve financial closing. The concessionaire or SPV must secure the funds required to finance the costs of the project, which include civil works, procurement and initial expenses to accomplish the obligations of the construction phase.

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

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

1. The traditional financial system, including banks, multilaterals and development institutions, and

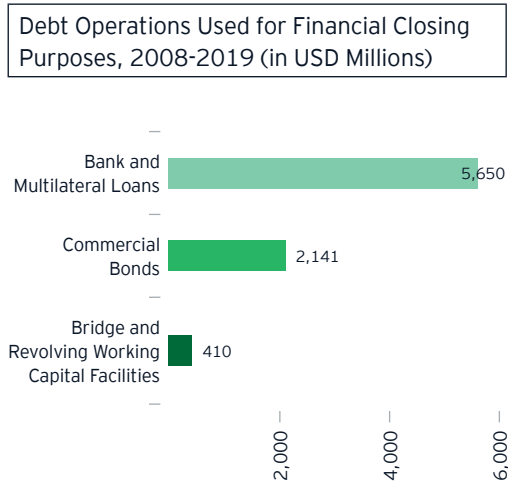
2. The capital market. The chart below presents the financial institutions that have participated as direct lenders, mandated lead arrangers and bond arrangers for achieving the financial closing in PPP projects, for diverse sectors, between 2008 and 2019, according to IJ Global:

Financial Institutions Financing Infrastructure Projects			
Local Financial Institutions	Sector	International Financial Institutions	Sector
Banco de Crédito del Perú (BCP)	Ports, Power, Railway, Roads	Bank of America Merrill Lynch	Healthcare, Railway
Banco Internacional del Perú (Interbank)	Power, Roads	BNP Paribas	Power, Water
Banco Continental del Perú (BBVA)	Petroleum & Gas, Ports, Power, Railway, Roads, Water, Airport	Cassa Depositi e Prestiti	Railway
Scotiabank	Ports, Power, Airport	Citigroup	Railway
		Credit Agricole Group	Power, Railway
		Credit Suisse	Telecommunications
		Deutsche Bank	Railway
		DnB NOR Bank	Ports, Power
		Goldman Sachs	Power, Roads
		HSBC	Ports, Power
		ING Group	Power
		Instituto de Credito Oficial	Railway
		Intesa Sanpaolo	Railway
		Itau BBA	Ports
		Mitsubishi UFJ Financial Group	Railway
		Mizuho Financial Group	Railway
		Morgan Stanley	Railway
		MUFG Bank	Power
		Natixis	Ports, Railway
		Novo Banco	Power, Telecommunications
		Santander	Ports, Railway
		Societe Generale	Ports, Power, Railway
		Standard Chartered Bank	Ports
		Sumitomo Mitsui Banking Corporation	Railway, Roads, Airport
		WestLB	Ports, Power

Source: IJ Global Database

The largest four banks that have been involved in these transactions in Peru³² are: BCP, Interbank, BBVA and Scotiabank, mostly in Power, Oil & Gas, Water & Sanitation and Transportation sectors, which includes Ports, Airport, Railway and Roads sub-sectors. Multilateral development banks and development institutions such as the Inter-American Development Bank (IDB), International Bank for Reconstruction and Development (IBRD), Andean Development Corporation (CAF) and KfW Development Bank, have also played an important role in providing financial support for the development of infrastructure projects in Peru, specifically in Water & Sanitation, and Transportation sectors. Foreign institutions have also shown great interest in funding local projects in Power, Healthcare, Water & Sanitation, Telecommunications and Transportation sectors, including American, European and Asian financial institutions.

Database, between 2008 and 2022, the amount of debt funding transactions for financial closing purposes in infrastructure projects in Peru has been USD8,201.6 million, distributed as follows:



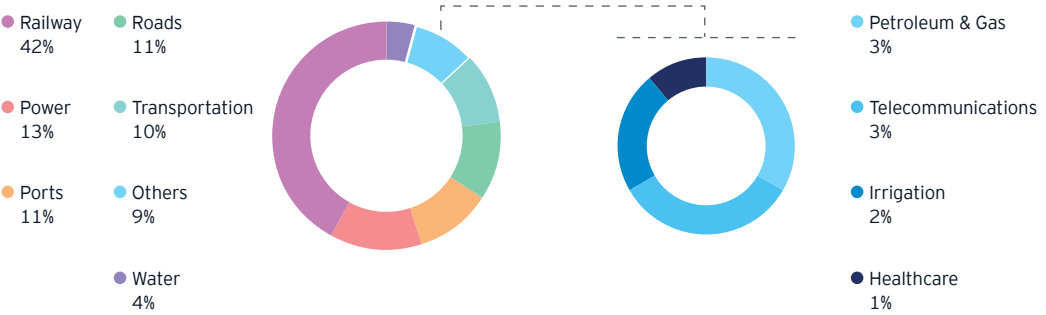
Source: IJ Global Database
Elaboration: EY



³² Estimation according to the banking system total assets, calculated by the Superintendence of Banking, Insurance and Private Pension Fund Management Companies (SBS) Peru.

Bank and multilateral loans represent 66.2% of total debt transactions, followed by commercial bonds with 28.3% and revolving facilities with 5.4%. The distribution among sectors is divided as follows:

Sector Distribution of Financing Transactions (in Percentages %)



Source: IJ Global Database
Elaboration: EY

The Transportation sector, including Railway, Roads and Ports sub-sectors, represents the highest proportion of debt financing transactions with 63.3%, followed by the Power sector (12.9%), Water and Sanitation (4.0%), Telecommunications (3.3%), Oil & Gas (2.5%), Irrigation (1.8%) and Healthcare infrastructure (1.0%).

These results show the transactions executed by concessionaires for achieving the financial closing of PPP projects in Peru, in the banking system and capital markets. As it is

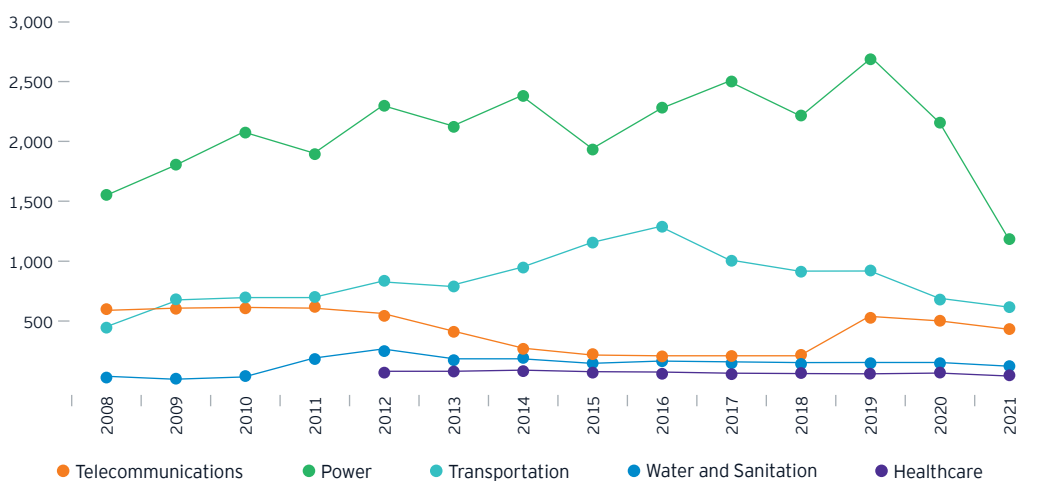
well known, both markets provide funding alternatives with conditions and terms to be evaluated by the Special Purpose Entity (SPV) in order to find the best financing options for the projects, for the construction (financial closing) and operation and maintenance activities. For instance, the bond market has become an important funding source for infrastructure projects in Peru, taking into account that pension funds represent one of the key investors. Investors seek this type of investment opportunities to generate long term returns compatible with their objectives.

According to the Superintendence of Banking, Insurance and Private Pension Fund Management Companies (SBS) in Peru, for the 2008 - 2019 period, pension fund investments in infrastructure projects have increased at a compounded annual rate of 5.3%, which represents the interest of institutional investors in long-term moderate risk investments. As of December 31, 2019, the investment portfolio in infrastructure

projects of local pension funds was worth USD4,349 million, this fund has been reduced to USD2,289 until 2021. This comprises issue of companies (with infrastructure projects), infrastructure investment funds and infrastructure projects.

The following charts present the annual evolution of portfolios by sector and sub-sector for the period 2008 - 2021:

Evolution of Investment Portfolios of Pension Funds in Infrastructure Projects by Sector 2008 - 2021 (in USD Millions)



Source: Superintendence of Banking, Insurance and Pension Fund Management Companies (SBS) Peru

The charts above show the evolution of investment in different sectors, led by Power and Transportation, which in 2021 jointly represented 51.5% and 25.6%, respectively, of the total portfolio. As to the sub-sector distribution, in 2021 a significant amount of

pension funds has been invested in Electric Power Generation (33.24%) and Roads projects (24.7%). The next chart presents the bond issuers as of December 31, 2021, which include companies, infrastructure investment funds and infrastructure/PPP projects.

Bonds issuers as of December 31, 2021	
Telecommunications	
Telecommunications	Telefónica Móviles, América Móviles, Telefónica del Perú, Red Dorsal
Power	
Electric Power Distribution	Luz del Sur , Edelnor, Fondo de Inversión Energético Americano de Larraín Vial
Electric Power Generation	Cahua, Duke Egenor, Edegel, Enersur, Electroandes, Inkia Energy, Fondo de Inversión Energético Americano de Larraín Vial, Kallpa, Southern Cone, Energía Eólica, Engie Energia P, Chinango, Fondo de Inversión Energético Americano de Larraín Vial, Fondo de Inversión en Infraestructura de AC Capitales.
Electric Power Transmission	Abengoa, Consorcio Transmantaro, Fondo de Inversión Energético Americano de Larraín Vial, Red de Energía del Perú, Aguaytía, Redesur-Tesur, Fondos de Inversión en Infraestructura: AC Capitales, Sigma, and Macrocapitales.
Hydroelectric Power Projects	Consorcio Trasvase Olmos, Fondo de Inversión Energético Americano de Larraín Vial Relapasa, Transportadora de Gas del Perú, Perú LNG, Plus Camisea, Fondo de Inversión Energético Americano de Larraín Vial, Maple, Hunt Oil, Calidda, Plus Lote 56, Fondo de Inversión en Infraestructura de AC Capitales.
Transportation	
Roads	IIRSA Sur (Tramos 2, 3 y 4) , IIRSA Norte, Interoceánica V , CRPAO PEN Trust, CRPAO VAC Trust, Rutas de Lima, ICCGSA, GyM Ferrovias, Fideicomiso de Infraestructura, Línea 2, Norvial, Cosapi, Fideicomiso de Infraestructura 2, Fondo de Inversión en Infraestructura de Sigma.
Railway	Fondo de Inversión en Infraestructura de AC Capitales.
Airports and Ports	Terminales Portuarios Euroandinos - Paita, Lima Airport Partners, Andino Investmen Holdings y Fondo de Inversión en Infraestructura de AC Capitales.
Water and Sanitation	
Water and Sanitation	H2Olmos, Consorcio Agua Azul, Fondo de Inversión en Infraestructura de AC Capitales y Fideicomiso de Infraestructura.
Healthcare	
Healthcare Infrastructure	Peru Payroll Deduction Finance Limited.

Source: Superintendency of Banking, Insurance and Pension Fund Management Companies (SBS) Peru

Some of the projects included in this list are: Red Dorsal Nacional de Fibra Optica (Telecommunications), IIRSA Sur (Roads), IIRSA Norte (Roads), Rutas de Lima - Vías Nuevas de Lima Project (Urban Roads) and

Lima Metro - Line 2 (Railway). Therefore, the information presented shows the important role of pension funds in financing infrastructure projects in Peru.

2. Financial Closing - Recent Successful Experiences

In this section, two examples of recent successful financing transactions are presented:

1. The financial closing of the Salaverry Port Terminal, which was achieved in 2020, and
2. The financial closing of the San Martín Terminal Port, having EY the financial advisory role.

The Salaverry Port Terminal is a self-financed PPP project that includes the design, finance, construction, operation and transfer of the port. It was awarded to Salaverry Terminal Internacional S.A.³³ for 30 years, with an estimated investment of USD270.1 million. The financial closing was achieved in February 2020 after the approval by ProInversión of the financing documentation presented by the concessionaire. The transaction involved a syndicated loan of USD132 million for eight years to finance the construction of Stages 1 and 2. The financial institutions that participated in this negotiation included local and international banks: Banco Santander, Itaú Corpbanca New York Branch and BBVA Perú.

The San Martín Port Terminal is a project developed under a self-financed PPP scheme that includes the design, finance, construction, operation and transfer of the port, awarded

to Consorcio Paracas³⁴ for 30 years, with an estimated investment of USD215 million. The concessionaire presented the required financial closing documentation for its approval in February 2018. The transaction involved a term loan of USD183 million provided by Banco Santander and the Andean Development Corporation (CAF) under the following conditions: a term loan of USD41.5 million for 10 years, and two term loans of USD50 million and USD91.50 million for 18 years.

In this transaction, EY played a key role as financial advisor of the public bidding process (which resulted in its client becoming the successful bidder) and subsequently seeking the financing.

This included helping the concessionaire explore funding alternatives in the market and closing the funding with the alternative selected. The evaluation included the review of the contract conditions, risk analysis and mitigation mechanisms available, as well as the development of the project's financial model.

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

³³ Salaverry Terminal Internacional S.A. is a subsidiary of Trabajos Marítimos S.A. (TRAMARSA), a maritime and port operator based in Peru belonging to Grupo Romero.

³⁴ Consorcio Paracas is comprised by Servinoga S.L., Pattac Empreendimentos e Participacoes S.A., Tucumán Engenharia e Empreendimentos Ltda., and Fortesolo Servicios Integrados Ltda.

In addition, the regulations and conditions established in the contracts must provide guarantees to the potential lenders to ensure the repayment of debt obligations and mechanisms to avoid interruptions in the project operations, such as the “step-in rights” regulated in the Peruvian Law on Public-Private Partnerships. Therefore, it is important to ensure an efficient risk allocation between the parties to avoid problems in the future.

Market soundings are also necessary to anticipate the information and requirements that will be demanded to the potential lenders and thus evaluate the best sources of funding for each project, such as banks or capital markets. The feedback provided by the market will help ensure the viability of the projects throughout a long-term contract. Therefore, having a complete and updated understanding of local financial and capital markets, as well as the current appetite for financing infrastructure investments in Peru is an important factor for raising the required funding.



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4. Legal Framework

Photograph: © ProInversión

Executive Summary

These are challenging times for everyone, not only in Peru but across the globe. Times that require, probably more than ever, promoting public and private investment in infrastructure in order to close the infrastructure gap and provide quality and adequate services to our citizens.

Peru, as a country, has gained valuable experience in promoting foreign and domestic investment in infrastructure over the past 30 years. One of the core pillars of these promotional efforts is the friendly legal framework throughout our hierarchical structure, i.e., from the Peruvian Constitution to directives and ministerial resolutions that seek to promote Public-Private Partnerships (PPP's) , Government-to-Government (G2G) Contracts, Infrastructure Through Works for Taxes (WT), etc.

Our Constitution grants the following rights to Peruvian and foreign investors:

- ▶ Equal and non-discriminatory treatment.
- ▶ Free capital transfer.
- ▶ Right to free competition.
- ▶ Guarantee of private property.
- ▶ Freedom to transfer abroad profits from their investments in Peru and to pay royalties to non-domiciled entities.
- ▶ No currency exchange control.

We are expecting a second wave of infrastructure investment in the coming years, leveraging the lessons learned in recent years and the strengths that Peru has achieved with the effort of all its citizens.

There have recently been a number of positive changes to the PPP and Works for Taxes (WT) legislation. For instance, Specialized Project Management and Execution Bodies (OEGEPs) will now consolidate all the internal processes of PPP projects. There has also been an increase in resources to fund local and regional projects under the Works for Taxes (WT) regime, as well as the execution of projects for Investment in Optimization, Marginal Expansion, Repair, and Replacement, which will undoubtedly make for a more dynamic execution of infrastructure projects.

We also applaud state efforts in recent years to implement infrastructure through Government-to-Government (G2G) Contracts with different states. While G2G contracts are here to stay, it is not only advisable to implement infrastructure using all other legal tools (PPP and WT) available, but it is also necessary to seek mechanisms that ensure the concrete articulation of these tools, so that they are not mutually exclusive but rather complementary. This will lead to greater dynamism in the sector, help reduce the infrastructure gap, create more formal jobs, and decrease the poverty rate.

1.

Promotion of the Private Investment

Since 1993, the Peruvian government has focused on promoting national and foreign private investment. This path began with our Constitution (1993), which is a cornerstone to encourage and guarantee private investment in every field within one of the most attractive legal frameworks in the region.

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

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

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

1. The Peruvian Constitution

- ▶ Peruvian and foreign investments are subject to the same conditions. As a consequence of this Constitution, Peru's legal provisions, regulations, and practices do not discriminate between domestic and foreign corporations.
- ▶ Property rights are guaranteed by the Peruvian government. No one shall be deprived of their property, except, exclusively, due to national security or public need established by law and previous cash payment to the titleholder of the appraised property, which shall include compensation for potential damages. Foreign individuals and/or entities are entitled to the same treatment as Peruvians. However, within 50 kilometers from the national borders, foreigners may not acquire or possess, under any title, directly or indirectly, mines, lands, woods, water, fuel, or energy sources, whether individually or in partnership, under penalty of losing the right so acquired in favor of the Peruvian government. The only exception to this provision involves cases of public need expressly established by an Executive Order (*Decreto Supremo*).
- ▶ The Peruvian government guarantees the free possession and disposal of foreign currency. Therefore, there are no restrictions on remittance of profits, international transfers of capital, or foreign exchange practices.
- ▶ Freedom of economic private initiatives.

- ▶ The freedom of contract guarantees that the parties may negotiate without restrictions, according to the regulations in effect at the time of the contract. Contract terms and conditions may not be amended by laws or any other provision whatsoever.

2. Regulations and Rules that Encourage Private Investment

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

- ▶ Equal and non-discriminatory treatment
- ▶ Unrestricted access to the majority of economic sectors
- ▶ Free capital transfer

Peruvian and foreign investors are also provided with:

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

The main legal provisions and regulations related to the promotion of foreign private investment are:

- ▶ Legislative Order (*Decreto Legislativo*) 662, Legal Stability Scheme for Foreign Investments: According to this legal provision, the Peruvian government encourages and guarantees foreign investment in all sectors of economic activity and in any of the business or contract forms permitted by local legislation.
- ▶ Legislative Order 757. Legal Framework for Private Investment Growth: This legal provision seeks to guarantee free initiative and private investments, already made or to be made, in all sectors of economic activity. It establishes rights, guarantees and obligations that are applicable to all individuals or entities, national or foreign, that invest in Peru.

“
A favorable legal framework for investment and a variety of areas with potential for economic growth and sustainable development continue to be some of the key factors making Peru a country with significant investment opportunities in the infrastructure sector.

Maria Luisa Peña
EY Law Associate Partner



2. Public-Private Partnerships (PPPs)

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

1. Legal Framework

PPPs and Private Initiatives are generally governed by the provisions of:

- ▶ Legislative Order (*Decreto Legislativo*) 1362 (hereinafter, the “PPP Act”);
- ▶ Legislative Order (*Decreto Legislativo*) 1543, which amends the PPP Act;
- ▶ The regulations of the PPP Act approved by Executive Order (*Decreto Supremo*) 240-2018-EF; and
- ▶ The regulations of Legislative Order (*Decreto Legislativo*) 1543 approved by Executive Order (*Decreto Supremo*) 211-2022-EF, which also amends the regulations of the PPP Act.

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

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

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

2. Phases of the PPPs

PPPs are implemented in five phases, as described in the following chart:

- 1** Planning and Programming
 Includes the planning of projects and commitments (firm or contingent). This planning is articulated with the Multi-Annual Investment Program and it is materialized in the PPP Multiannual Investment Report (IMIAPP).
- 2** Formulation
 Comprises the design and/or evaluation of the project, and is materialized in the Evaluation Report. This phase ends with the incorporation of the project to the promotion process.
- 3** Structuring
 Includes the approval of the Promotion Plan, consultation with government entities and the design of the PPP contract.
- 4** Transaction
 Entails the public bidding. This phase ends with the signing of the PPP contract.
- 5** Contract Performance
 Includes the funding, construction, operation and maintenance of the project private investor.

3. Types of the PPPs

PPPs may be self-funded or co-funded¹.

- ▶ Self-Funded: A PPP project with its own income-generating capacity that does not require co-funding from the government.
- ▶ Co-Funded: A PPP project for which the Government requires co-funding or the granting or contracting of financial guarantees or non-financial guarantees that are significantly likely to need co-funding, where:

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

¹ <https://www.investinperu.pe/modulos/JER/PlantillaStandard.aspx?are=1&prf=0&jer=5932&sec=17>

A PPP can also be classified considering its inception in government initiatives and private initiatives (unsolicited proposals).

- ▶ Government initiatives: The government (through one of its levels) identifies and launches a project.
- ▶ Private initiatives (unsolicited proposals): The private sector identifies and proposes the project to the government.

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

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

Private initiatives have two main benefits for the private sector, specifically for the company that submits the private initiative:

- In the case of a competitive bidding process, if the company submits a valid technical and economic bid, it is entitled to tie with the proposal that obtains the first place. Afterwards, the bidder and the first pre-qualified company can submit another bid in a tiebreaker mechanism.
- If a competitive bidding process is called, and the bidder has presented a valid economic bid, and if the project is awarded to a third party, the costs of the private initiative can be reimbursed in favor of the bidder up to 2% of the Total Cost of the Project or the Total Cost of the Investment.

4. Advantages of the PPPs

- ▶ The risks are allocated considering the party that is in the best position to manage the risk.
- ▶ The provision of public services to citizens benefits from the expertise of the private sector.



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- ▶ By integrating the operation and maintenance of the infrastructure through a long-term contract, the private sector is given adequate incentives to design and build such infrastructure efficiently.
- ▶ Public infrastructure can be provided without spending government funds (in the case of self-funded PPPs) or—in the case of co-funded PPPs—government payments to the private sector for the construction of the infrastructure are distributed over a longer period of time because the private sector will fund the project.



Infrastructure is vital for the economic growth of a country. It is necessary to promote contractual schemes that make the development of projects viable, taking into account their own characteristics and weighing in each case the benefits that each contractual scheme (PPP, traditional public works, works for taxes, NEC contracts, G2G contracts) suppose for the project in particular. The success or failure of the project will depend to a large extent on the correct choice of the contractual scheme for its implementation, as well as on the ability to generate good contracts, with the correct incentives for the public and private sectors.

Diana Tassara
EY Law Senior Manager



5. Types of Commitment of the Peruvian Government

According to the PPP legislation, the government may assume two types of commitments:

▶ Firm commitments:

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

▶ Potential commitments:

These are potential payment obligations made by the government in favor of the private company, set forth in the PPP contract, arising from the occurrence of one or more events corresponding to the risks of the PPP project. The payment of this obligation is subject to the occurrence of a certain event established in the PPP contract. Therefore, only if such event occurs, the Peruvian government will comply with its commitment.

6. Role of Authorities

Private Investment Promotion Body:

The public entity responsible for the operation, management, and allocation of a PPP project is the Private Investment Promotion Body (OPIP).

Specialized Project Management and Execution Bodies (OEGEPs):

In charge of the Project's contract management and execution.

Depending on the scope, the OPIP may be:

OPIP	Scope	
Pro-Inversión	<ul style="list-style-type: none"> ▶ PPP projects of national competence originated by government initiative that are multi-sectoral. ▶ PPP projects of national competence originated by a government initiative that have a total investment cost, or a total cost of the project (in case of a project without investment component) greater than 40,000 Tax Units - UIT² (S/172 Million). ▶ PPP projects of national competence originated by self-financed private initiative. 	
	<ul style="list-style-type: none"> ▶ PPP projects under public entity competence authorized by an express legal provision, originated by self-financed private initiative. 	
	<ul style="list-style-type: none"> ▶ Projects regarding any level of government and projects under public entity competence authorized by an express legal provision, originated by self-financed private initiative. 	
	<ul style="list-style-type: none"> ▶ Projects developed through Competitive Dialogue. 	
	<ul style="list-style-type: none"> ▶ Projects that by an express legal provision are assigned to ProInversión. 	
	<hr/>	
	OPIP of the pertinent Ministry	The probability of requesting the use of public resources is minimal or nonexistent, i.e. the probability of using public resources does not exceed 10% for any of the first 5 years of the guaranteed project period.

OPIP	Scope
OPIP of the respective regional government	Projects within its competence that cover more than one province.
OPIP of the pertinent local government	Projects within its own competence.

As from the entry into force of Legislative Order (*Decreto Legislativo*) 1543, the Specialized Project Management and Execution Body (OEGEP) will be implemented. This body is an Executing Unit (EU) inside the sector, which will be in charge of all the actions required for the contract management and execution of the project or portfolio of projects assigned to it during all phases in the execution of PPP projects, thus consolidating all the internal processes of the PPP project in one place. Update UIT value: PEN4,600

Ministry of Economy and Finance:

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

Other Authorities:

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

² Tax Unit (UIT) amounts to S/4,300 for the year 2020.

3.

Projects in Assets (PA)

This mechanism assists private investors seeking to carry out a project on an asset owned by the government, either as owner, possessor, lessee, or other kind of real property permitted by law. However, such projects will be carried out without compromising government funds.

Private investment on assets owned by the Peruvian government is promoted through the pertinent OPIP (considering that this OPIP can belong to ministries, regional and local governments) in the following scenarios:

- ▶ Disposal of assets, including the transfer thereof in whole or in part.
- ▶ Use, lease, usufruct, beneficial enjoyment, surface or other mechanism permitted by Peruvian legislation. The Peruvian Legal Framework for Projects in Assets is the same that is applicable to PPPs. It is the PPP Act and the Regulations of the PPP Act.

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

4.

Works for Taxes (WT)

The Works for Taxes (WT) regime is an efficient tool of Corporate Social Responsibility, allowing the application, as a credit against corporate income tax, of the amount on the projects undertaken by private companies on behalf of regional governments, local governments, public universities and national government entities in several sectors (such as Education, Healthcare, Security, Tourism, Agriculture, Irrigation, Culture, Sanitation, Sports and Environment, among others).

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

The Works for Taxes (WT) regime allows the participation of a private company jointly with a government entity to fund or execute a public investment project or Investments in Optimization, Marginal Expansion, Repair, and Replacement (IOARR). Upon the execution of an agreement (the “Investment Agreement”), the private company is committed to fund and/or execute a public investment project in exchange for the recognition of the investment as a credit against Corporate Income Tax (CIT) through the issue of an investment certificate (called CIPRL if the agreement is entered into, in the first case, with regional and local governments; or CIPGN for those agreements entered into with a national governmental entity).

1. Legal Framework

- ▶ Consolidated Text of Law 29230 - Act on Regional and Local Public Investment with Private Sector Participation, approved by Executive Order (*Decreto Supremo*) 081-2022-EF.
- ▶ Consolidated Text of the Regulations of Law 29230 - Act on Regional and Local Public Investment with Private Sector Participation, approved by Executive Order (*Decreto Supremo*) 295-2018-EF.
- ▶ Legislative Order (*Decreto Legislativo*) 1292 that authorizes PETROPERU to fund projects under Law 29230 only in special cases.
- ▶ Consolidated Text of Law 30556 - Act that approves extraordinary provisions to face disasters, and authorizes and extends the scope of Law 29230, approved by Executive Order (*Decreto Supremo*) 094-2018-PCM.
- ▶ Consolidated Text of the Regulations of Law 30556 - Regulations that approve extraordinary provisions to face disasters, and authorizes the creation of the Authority for Reconstruction with Changes (*Autoridad para la Reconstrucción con Cambios*) and extends the scope of Law 29230, approved by Executive Order (*Decreto Supremo*) 003-2019-PCM. ▶ Legislative Order (*Decreto Legislativo*) 1534 that modifies Law 29230 and establishes measures to promote investment under the mechanism of Work for Taxes.
- ▶ Regulations of Law 29230 and of Legislative Order (*Decreto Legislativo*) 1534, approved by Executive Order (*Decreto Supremo*) 210-2022-EF.

Law 30608 that aims at promoting macro-regional and microeconomic articulation

through the possibility of incorporating municipal savings banks and credit unions in the financing and/or execution of public investment projects in agreement with regional and local governments.

Resolution 1706-2018 issued by the SBS - Regulations on the participation of municipal savings banks and credit unions in the law that promotes regional and local public investment with the participation of the private sector.

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

▶ **Public Investment Projects:**

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

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

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

▶ **Public Investment Agreement:**

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

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

2. Types of Public Investment Projects

In order to carry out the Works for Taxes (WT) there are two types of Public Investment Projects:

- ▶ Government Initiative:
By recognizing a need, the government entity formulates a Public Investment Project to address the emerging need.
- ▶ Private Initiative (Unsolicited Proposal):
The private sector submits a proposal for a Public Investment Project, which must be evaluated by the government entity.

3. Advantages Of The Works For Taxes (WT) Regime

This regime has several benefits:

- ▶ From a private perspective:
The Works for Taxes (WT) regime enhances the development of social responsibility programs, improving the reputation of companies, and, hence, the relationship between the company and the community.
- ▶ For the community:
This regime reduces the infrastructure gap, creating more jobs. Coverage of public services is also increased.
- ▶ From the government perspective:
This regime contributes to the acceleration of projects.

4. Annual Capacity (CAP)³

For the year 2022, regional governments have a joint Annual Capacity (CAP) to invest in the Works for Taxes (WT) regime that is equivalent to PEN4,119,225,855 (approximately USD1,052.37 billion). The annual capacity (CAP) for each regional government is included here.

In that same period, local governments have a joint Annual Capacity (CAP) to invest in the Works for Taxes (WT) regime that is equivalent to PEN11,110,636,493 (approximately USD2.83 billion). The annual capacity (CAP) of each Local Government is included here.

Also for 2022, public universities have a joint annual capacity (CAP) to invest in the Works for Taxes (WT) regime that is equivalent to PEN1,017,254,117 (approximately USD259million). The annual capacity for each university is included here.

Usually, and according to Legislative Order (*Decreto Legislativo*) 1275, entities are required to meet some mandatory fiscal provisions.

³ A Tax Unit (UIT) is equivalent to PEN4,600 for the year 2022.

5. Regional and Local Public Investment Certificate (CIPRL) and National Government Public Investment Certificate (CIPGN)

Issue of Certificates (CIPRL and CIPGN)

An approval of the receipt and quality of the whole project or milestones thereof is required in order to issue a CIPRL or a CIPGN.

In the case that the execution of the project takes more than five (5) months, the private company may request that the public entity issue quarterly certificates.

CIPRLs are limited to resources obtained from mining royalties (*canon*) by every regional and local government, as well as public universities, which are listed by the Ministry of Economy and Finance (MEF). CIPGNs are limited to ordinary resources of the national government signing the agreement.

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

It should be mentioned that the royalties are the base for determining the annual capacity (CAP) of investments through the Works for Taxes (WT) regime for regional and local governments and public universities.

Features of the Certificates (CIPRL and CIPGN)

These certificates have the following features:

- ▶ The issue of a CIPRL or CIPGN requested by the government entities is carried out electronically through the platform of Valued Documents contained in the following URL: <https://apps4.mineco.gob.pe/ciprlapp/>
- ▶ The CIPRL and CIPGN may only be used against advance payments and annual Corporate Income Tax (CIT).
- ▶ The CIPRL and CIPGN may be used with a limit of 50% of the Corporate Income Tax (CIT) paid in the previous fiscal year.
- ▶ If, by the end of the year, the CIPRL or CIPGN are not used, the private company may request a new certificate that will include the amount of the previous certificates plus an increase of 2%. This new issue may also be requested when there are credits or remaining balances as a result of partially used certificates.
- ▶ If the certificate has not been used within ten (10) years, the private company may claim a refund to the Tax Administration.
- ▶ The certificates are negotiable so they can be transferred to third parties, except when the private company that signed the Investment Agreement has executed the works directly as a construction firm.

6. Recent Changes To The Works For Taxes (WT) Regulations to Stimulate Investment

In March 2022, the Peruvian government issued Legislative Order 1534, amending the Works for Taxes (WT) regulations.

The main amendments made under Legislative Order 1534 are as follows:

Possibility of performing Works for Taxes (WT) in Investments in Optimization, Marginal Expansion, Repair, and Replacement (IOARRs).⁴

This amendment expands the range of funding and execution. Now, private companies can fund, execute, and propose IOARR projects, including emergency IOARRs under the *Invierte.pe* framework. Public agencies are also authorized to execute IOARR projects in regulated sectors, including maintenance, funded using the approved ordinary budget resources of the public agency or other sources permitted by law.

New funding sources for CIPRLs and/or CIPGNs

At the regional and local levels, the Works for Taxes (WT) laws only allowed projects to be funded using revenue from mining royalties (*canon*) or overriding royalties (*sobrecanon*) to which certain regional and local governments have access. However, the amendment allows for funding using other resources, such as (i) funds received by the regional or local government, including, but not limited to, the Regional Compensation Fund, the Municipal Compensation Fund, and the Camisea Socioeconomic Development Fund; (ii) pension fund and social security resources (*recursos determinados*); (iii) directly collected resources; (iv) ordinary resources for the execution of investment projects and IOARRs included in the annex of the Annual Budget Act.

⁴ IOARRs are investments of low technical complexity and limited risk in one or more strategic assets that form part of a Production Unit, for the following purposes: (i) achieve optimal service capacity; and (ii) avoid the interruption of service in a Production Unit or minimize downtime due to the deterioration of quality standards. The difference between an investment project and an IOARR lies in the fact that former creates or modifies the production capacity of state-run services, while state-run-services consists of a specific project

5.

Government to Government Agreements (G2G)

The different mechanisms through which the state seeks to promote the execution of infrastructure present challenges in terms of legislation, experience, and speed that may have an impact on the reduction of the infrastructure gap.

In response to this situation, in recent years the state has been promoting an additional alternative mechanism—in addition to the existing infrastructure promotion and execution mechanisms—that is helping to close the infrastructure more quickly, with the participation of other governments, who bring their experience, among other benefits.

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

This contracting mechanism allows for infrastructure development and is not subject to the procedures applicable to the public contracting for goods and services established in the State Procurement and Contracting Act, its regulations, or related provisions. On the contrary, G2G Contracts use a more expedited, less regulated selection process that is carried out directly between the governments.

The benefits offered by this type of contracting include the following, among others:

- ▶ They streamline selection procedures without neglecting rigor.
- ▶ They mitigate risks of breach of contract by the selected providers.
- ▶ They increase negotiating capacity with providers, thus allowing access to higher-quality offerings with more benefits for the country.
- ▶ They boost innovation and knowledge transfer to the Peruvian government.

The most representative of these agreements, in terms of investment and closing of social gaps, is the one related to the Reconstruction with Changes (RCC) signed with the United Kingdom (UK)⁵. Through this G2G agreement, Peru would receive technical assistance services, supervision and Project Manager Officers (PMOs) from the UK government, which would act through its “delivery team”: UK private companies with an excellent track record in the field.

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

⁵ Extracted from: <https://www.gob.pe/institucion/pronis/campa%C3%B1as/3918-conoce-nuestros-proyectos-en-salud-bajo-modalidad-g2g>

1. Legal Framework

To date, G2G Contracts do not have their own laws. However, despite the fact that the State Procurement and Contracting Act is not applicable to them, it establishes the minimum guidelines for contracting under this modality.⁶ Accordingly, they must be authorized by virtue of a Supreme Executive Order (*Decreto Supremo*) declaring the contracting purpose of national interest. For this purpose, the contract must meet the following conditions:

- (i) Market research identifying the governments that may possibly meet the requirements of the Peruvian government.
- (ii) Technical and economic report comparing the conditions offered by the interested governments and providing evidence of the advantages for the Peruvian government of entering into a contract with another government.
- (iii) Report from the Budget Office or the equivalent area in the corresponding sector stating that the necessary funding is available for the contracting process, unless a debt operation is required.
- (iv) Declaration of feasibility and/or approval within the framework of the National Multiannual Programming and Investment Management System, where applicable.

The contracts may include clauses pertaining to: i) knowledge transfer plans related to the purpose of the agreement; ii) country legacy plan; iii) commitment to implement a Project Management Office (PMO) when the purpose includes project management; and iv) the obligation to submit documentation on the execution of the contract or agreement by the other government.

One important aspect to be noted is that there are sectors that are currently publishing a more extensive legislative basis for infrastructure development through G2G Contracts. For example, the Ministry of Education has published Resolution of the Director's Office 397-2020-MINEDU, approving the directive titled "Government-to-Government (G2G) Contracts for the Execution of Education Infrastructure Projects of the Ministry of Education."

2. New Engineering Contracts (NEC)

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

NEC3 contracts have been used to provide goods, services and works, considering all phases of a project cycle, from planning, design and project management to construction, maintenance and facilities management. Besides, NEC3 agreements promote the delivery of projects:

1. On time
2. On budget
3. To the highest standards⁷

According to the Peruvian experience in NEC3, the main feature of this agreement is the simplicity of the language, adequate allocation of risks and collaborative work.

⁶ Twenty-First Final and Temporary Provision of the Consolidated Text (TUO) of the State Procurement and Contracting Act, approved by Executive Order 082-2019-EF.

⁷ <https://www.neccontract.com/About-NEC/How-NEC-Contracts-Works>

A photograph of a construction site at sunset. The sky is a deep blue, transitioning to a bright yellow and orange glow from the sun on the left. Several tower cranes are silhouetted against the sky. In the foreground, there is a large structure under construction, heavily covered in scaffolding and safety netting. The overall scene is industrial and captures the end of a day's work.

5. Tax Framework

Photograph: © ProInversión

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Guide to Investing in Infrastructure Projects in Peru 2022 / 2023



Executive Summary

Corporate Income Tax (CIT)

- ▶ Peruvian domiciled entities are subject to CIT on their worldwide taxable income. The general CIT rate is 29.5%. This rate is applied to the taxpayer's net income, which is determined by deducting costs and expenses from the revenues obtained. The tax year is the calendar year. Peruvian companies recognize income according to its accrual.
- ▶ There is a special treatment for construction companies with contracts covering more than one taxable year. In this case, the taxpayer may opt for accrual or cash methods for recognition of income. The method chosen must be the same for all the works performed by the taxpayer.
- ▶ Consortium agreements are very common in the construction field. As a rule, parties to consortium agreements must have independent accounting records (and would be considered as separate taxpayers), except: (i) If due to the conditions of the operation it is not possible to keep independent accounting records; or (ii) if the term of the contract is less than three (3) years.

Withholding (WHT) to non-resident entities

- ▶ Non-domiciled entities, branches and permanent establishments of foreign companies are subject to WHT rates ranging from 4.99% to 30% only on their Peruvian source income, which include—among many others—services provided in Peru; technical assistance and digital services; dividends, interests and royalties paid by Peruvian entities; commercial activities performed in Peru, etc.
- ▶ A reduction of the WHT rates would apply if a Double Taxation Treaty (DTT) signed by the Peruvian government is applicable. Peru has currently a DTT with the following countries: Brazil, Chile, Canada, Japan, Mexico, Portugal, South Korea and Switzerland. Peru is also part of the Andean Community (along with Colombia, Ecuador and Bolivia) wherein a sort of DTT is in force (Decision 578).

“

Peruvian tax regime is very attractive for the infrastructure sector. At a glance, investors may access to tax stability agreements for the entire concession period, accounting for tax purposes in US dollars and early recovery of the VAT, among some other benefits.

Manuel Rivera
Tax Infrastructure Leader



Value Added Tax (VAT)

- ▶ An 18% VAT applies to the following operations:
 - Sale of goods within Peru and import of goods;
 - Services rendered within Peru and services performed by non-domiciled entities that are economically used within Peru;
 - Construction contracts and first sale of real properties by construction firms.
- ▶ VAT Early Recovery: Legal entities developing projects currently in the pre-operational stage (which shall be longer than or equal to two years) may request the early recovery of VAT before starting operations. The investment must be made during the pre-operational stage and may not be less than USD5 million.

Special tax considerations for PPP projects

- ▶ From the PPP standpoint, special regulations are applicable in case of self-sustainable concessions:
 - Depreciation or amortization of concession assets: The holder of the concession may annually depreciate/amortize concession assets by applying one of the following methods: (i) according to their useful life, up to a 20% annual rate, or (ii) during the concession period, under a straight-line method.
 - The transfer of concession assets made by the holder of the concession in favor of the Peruvian Government, during or at the end of the concession term, is exempt from any tax (created or to be created), including CIT and VAT.
 - The holder of the concession must apply CIT and VAT to the revenue of the activities granted under the concession agreement entered into with the Peruvian government (i.e. tolls, tariffs, etc.)
- ▶ In the case of co-funded PPP agreements, the holder of the concession has to apply CIT and VAT to the payments made by the Peruvian government under the regulations applicable to services in general and/or construction services (depending on the activities agreed upon with the Government).
- ▶ Stability agreements are regularly applied in PPP projects. They warrant a freeze on CIT–but applying an additional 2% tax rate–and WHT on dividends during the entire period of a PPP project, according to the regulations stated at the agreement execution date. For that purpose, contributions are required to the capital of an incorporated company or a company to be incorporated in Peru for an amount of no less than USD5 million. The investment can be made within a maximum two-year period.

1.

Peruvian General Tax Considerations

The Ministry of Foreign Affairs and EY feature specialized Business and Investment Guides with more detailed content. You can download them free of charge here:



www.ey.com/pe

1. Tax Regime Applicable To Peruvian Entities (Principal Taxes)

a. Corporate Income Tax (CIT)

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

► Advanced payments:
Domiciled companies are under obligation to make advance payments determined by comparing the monthly installments resulting from the application of one of the following methods, whichever is highest:

- Percentage method: apply 1.5% to the total net income of the month

- Coefficient method: divide the CIT calculated in the previous fiscal year by the total net income from the same period and apply the resulting coefficient to the net income for the month. Should the advance payments exceed the annual tax determined, the excess may be carried forward as a credit against subsequent CIT payments or a refund may be requested.

► Deduction of expenses:

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

► Tax loss relief:

Taxpayers can choose between the following systems to obtain relief for their tax losses:

- Losses can be carried forward for four consecutive years, beginning with the first subsequent year in which the losses arise (as an exception, five years in case of tax losses obtained in 2020); or
- Losses can be carried forward indefinitely, but with an annual limit equivalent to 50% of the taxpayer's taxable income of each subsequent year.

► Permanent establishment:

A foreign company has a permanent establishment in Peru whether:

- It has a fixed place of business in the country whereby it carries out business activities in whole or in part;
- A building site, construction or installation project in Peru, as well as the supervision activities related to them, that exceeds 183 calendar days within any 12-month period;
- The provision of services rendered in Peru for the same (or related) project for a period or periods that exceed 183 calendar days within a 12-month period;

A person acting in Peru on behalf of a non-domiciled entity and has authority to:

- Enter into contracts on behalf of the non-domiciled entity;
- Transfer the ownership of assets owned by the non-domiciled entity; or
- For the provision of services by the non-domiciled entity.

In this case, exceptionally, a permanent establishment will not be set up when the person acting on behalf of the

non-domiciled entity carries out an economic activity within the country as an independent agent and acts for the latter in the ordinary course of that activity.

b. Value Added Tax – VAT (IGV in Spanish)

An 18% VAT applies to the following operations:

- Sale of goods within Peru
- Services performed within Peru and services performed by non-domiciled entities that are economically used within Peru (“import” of services)
- Construction contracts
- First sale of real properties by construction firms, and
- Import of goods

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

The main requirements that have to be met for considering input VAT as a tax credit are the following:

- The acquisitions must be considered as expenses or costs for CIT purposes.
- Such acquisitions must be related with transactions that are subject to taxation with VAT.

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

c. Temporary Tax on Net Assets - TNAT (ITAN in Spanish)

TNAT is applicable to domiciled entities (including branches and permanent establishments of foreign companies) that are not in pre-operating stages. It is equivalent to 0.4% of the value of total net assets over PEN1 million (approximately USD270,000)¹.

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

Note that assets and real properties delivered by the Peruvian government to the concessionaire used for the rendering of public services, as well as the constructions made by the concessionaire, do not form part of the tax basis.

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

d. Financial Transaction Tax - FTT (ITF in Spanish)

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

2. Tax Regime Applicable to Non-Domiciled Entities

Non-domiciled entities are subject to Withholding Tax (WHT) only on their Peruvian source income. The Income Tax Act considers the following, among others, as Peruvian source income:

- ▶ Services provided in the Peruvian territory (general regulations): 30% WHT rate.
- ▶ Technical assistance (economically used in Peru): 15% WHT rate.
- ▶ Digital services (economically used in Peru): 30% WHT rate.
- ▶ Dividends distributed by a Peruvian entity: 5% WHT rate.
- ▶ Interest paid by a Peruvian entity or when the capital is economically used or placed in Peru: 4.99% if the following requirements are met:
 - In the case of cash loans, the entry in Peru of the foreign currency must be duly accredited
 - The interest rate must not exceed Libor plus 7 points; and
 - There is no economic relationship between lender and borrower. In the case that the loan granted does not comply with the requirements mentioned above, a 30% WHT rate would apply.

It is important to mention that, until December 31, 2023 (likely to be extended) interests on development loans granted directly or through suppliers or financial intermediaries by international organizations or foreign government institutions are exempt

¹ Considering an exchange rate of 3.7.

from Income Tax (IT). Development loans are defined as debt operations intended to fund, among others, projects or programs for the development of the country in public infrastructure works and the provision of public services.

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

However, since 2019, it does not apply to income for services obtained for the transfer of receivable rights of the concessionaire investor in Public-Private Partnership contracts, when the acquirer assumes the risk of the debt.

A reduction of the above mentioned WHT rates would apply if a Double Taxation Treaty (DTT) signed by the Peruvian government is applicable. Peru has currently a DTT with the following countries: Brazil, Chile, Canada, Japan, Mexico, Portugal, South Korea and Switzerland. Peru is also part of the Andean Community (along with Colombia, Ecuador and Bolivia) wherein a sort of DTT is in force (Decision 578).

3. Transfer Pricing Regulations

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

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

There are formal obligations for taxpayers:

- ▶ Filing returns according to OECD standards (local report, master report and country-by-country report); and
- ▶ Making available to the Tax Authority sufficient evidence to support the agreed amount.

4. Thin Capitalization and “Tax Ebitda” Regulations

CIT Law establishes limits to the amount of interest that can be deducted:

- ▶ Thin Capitalization Regulations (2019 and 2020): The interest on indebtedness with related or unrelated parties will be deductible for the portion of debt not exceeding three times the debtor's net equity according to the balance sheet of the previous year.
- ▶ “Tax EBITDA” Regulations (since 2021): Under these rules, interest on indebtedness with related or unrelated parties can be deducted up to 30% of Tax EBITDA (net income after offsetting losses plus net interest, depreciation and amortization) of the preceding year. Non-deductible interest exceeding the limit may be carried forward to the following four years but will again be subject to the 30% of EBITDA limitation of the corresponding year.

It must be noted that these regulations are not applicable to taxpayers who, through Public-Private Partnerships (PPPs), carry out public infrastructure projects, public services, related services, applied research and/or technological innovations.

2. Special Tax Regulations: Construction Services

1. Corporate Income Tax (CIT)

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

- ▶ First Method (Cash Method): This consists of assigning to each taxable year the gross income resulting from applying to the amounts collected for each work, during the business year, the percentage of gross profit calculated for the entire works.
- ▶ Second Method (Accrual Method): It consists on assigning to each taxable year the gross income established by deducting from the amounts collected or invoiced for the works performed during the business year, the corresponding costs and expenses to such works.

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

2. Value Added Tax (VAT)

Construction services have certain special regulations in the Value Added Tax (VAT) Act. In this case, the tax must be paid when the invoice is issued or the consideration is received, whichever occurs first (in other type of services, the tax recognition takes place at other moments, such as at the end of the service or the deadline for the payments).

Also, construction services are subject to the advance VAT withholding system (SPOT), whereby payers are forced to deposit a percentage of the price (4% instead of higher percentages applicable to other services) in an account opened with Banco de la Nación in favor of the providers, instead of making the total payment to them (the amount collected can be used to pay tax obligations or can be refunded a maximum of four times a year within the first five (5) working days of January, April, July and October).

3. Contribution to the National Training Service for the Construction Industry (SENCICO)

Taxpayers whose core business is the development of construction activities according to the United Nations International Standard Industrial Classifications (ISIC) make contributions to the National Training Service for the Construction Industry (SENCICO).

The applicable rate is 0.2% of the total company income for labor, general expenses, technical management, profits, and any other payment billed to the client, irrespective of the construction contract executed.

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

4. Consortium Agreements

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

As a rule, parties to consortium agreements must have independent accounting records, except:

- (i) If due to the conditions of the operation it is not possible to keep independent accounting records; or
- (ii) if the term of the contract is less than three years.

a. Consortium with independent accounting records

- ▶ It is considered an independent taxpayer, subject to the fulfillment of formal and substantial tax obligations (obtaining a Tax ID Number - RUC, determination of taxes, filing tax returns, among others).
- ▶ Operations between the consortium and the contracting parties qualify as operations with third parties subject to the applicable taxes (CIT, VAT, among others).
- ▶ If a contracting party has more than 30% of the rights over the contract profits, it would be considered a related party with the contract (among other situations established by the IT Act). In this case, transfer pricing regulations would apply.

b. Consortium without independent accounting records

- ▶ This type of contract does not generate a taxpayer independent from its contracting parties.
- ▶ Each part must account for their respective transactions (income, expenses/costs, input and output VAT) and determine their own taxes (CIT, VAT, etc.)
- ▶ Alternatively, contracting parties may choose an operator. In this case, the operator shall allocate income, costs and/or expenses, as well as VAT, to the contracting parties, so that the parties may determine their own taxes.

3. Special Tax Regulations: Public-Private Partnerships (PPPs)

As previously mentioned, the Peruvian government promotes private investments through concession agreements. It grants to the holder of the concession the execution and exploitation of public infrastructure works and/or the provision of public services.

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

1. Self-Funded Agreement

Special regulations are applicable (mainly related to the concession assets):

- ▶ Depreciation of concession assets: The holder of the concession may annually depreciate the concession assets by applying one of the following methods: (i) according to their useful life, up to a 20% annual rate, or (ii) during the concession period, under a straight-line method.
- ▶ Amortization of intangible assets: The holder of the concession may annually amortize intangible assets: i) according to their useful life, up to a 20% annual rate; or ii) during the concession period, under a straight-line method.

- ▶ The transfer of concession assets made by the holder of the concession in favor of the Peruvian Government, during or at the end of the concession term, is exempt from any tax (created or to be created), including CIT and VAT.
- ▶ The holder of the concession must apply CIT and VAT to the revenue of the activities granted under the concession agreement entered into with the Peruvian Government (i.e. tolls, tariffs, etc.)

2. Co-Funded Agreement

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

Some benefits of the Peruvian tax regime regularly applied in PPPs are:

a. Tax stability agreement:

The Agency for the Promotion of Private Investment (ProInversión), acting on behalf of the Peruvian State, can enter into stability agreements guaranteeing foreign investors, among others, a freeze on Corporate Income Tax (CIT)—but applying an additional 2% tax rate—and Withholding Tax (WHT) on dividends during the entire period of a PPP project, according to the regulations stated at the agreement execution date.

For that purpose, contributions are required to the capital of an incorporated company or a company to be incorporated in Peru for an amount of no less than USD5 million. The investment can be made within a maximum two-year period.

The term of the stability agreement is subject to the time period of the concession contract for the construction and use of public infrastructure works and/or the provision of public services.

b. Foreign currency accounting

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

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

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

c. VAT Early Recovery

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

For such purpose, taxpayer must file an application to ProInversión in order to obtain a Ministerial Resolution that will be published by the specific sector to which the developing projects relate. The Ministerial Resolution grants the company the status of “beneficiary.” Subsequently, it can request the VAT recovery to the Tax Authority. The investment must be made during the pre-operational stage and may not be less than USD5 million.

This regime provides liquidity to the company by avoiding having an unused input VAT during the implementation period of the project.





6. Labor Framework



Photograph: © ProInversión

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Guide to Investing in Infrastructure Projects in Peru 2022 / 2023

Executive Summary

Labor Regime in the Civil Construction Sector

Applicable provisions

Unlike most economic sectors, the civil construction sector is governed by annual collective agreements. These collective agreements are specific to an activity branch and set wage increases and other benefits recognized for workers who carry out civil construction work recognized in three categories: skilled labors, semi-skilled labor and unskilled labor. These activity-specific collective agreements are applicable as long as the company carries out work considered to be civil construction, as determined by the ISIC (United Nations International Standard Classification) and only if the civil construction works exceed 50 Tax Units (UITs).

For those workers who belong to the civil construction sector, but do not carry out activities related to civil construction, the general labor regime will apply.

Remuneration of civil construction workers

According to the activity-specific collective agreements, civil construction workers are mainly remunerated as follows:

- Base remuneration or wage;
- Bonuses: Single Civil Construction Bonus, as well as bonuses for transportation, work at height, work at altitude, night work, work in contact with water and for specialization;
- Allowance for schooling and burial expenses;
- Bonuses for national holidays and Christmas;
- Severance Pay (CTS); and
- Vacation Time Compensation.

Employer's Obligations

For its part, the Employer is obliged to pay a contribution to the Peruvian Social Health Insurance System (EsSalud) equivalent to 9% of the remuneration received by its workers. Additionally, the employer must:

- Take Out an Occupational Disability and Life Insurance (SCTR) policy;
- Contribute to the SENCICO (National Training Service for the Civil Construction Industry) equivalent to 0.2% of the billing to the client.

Contractors and subcontractors

In accordance with current labor regulations, the civil construction activity can be carried out through contractors and subcontractors. It is important to consider that this hiring modality entails a joint and several liability, for which the main company could be responsible for labor breaches incurred by contractors and even subcontractors in relation to the workers who participate in the project.

1.

General Labor Regime

The Ministry of Foreign Affairs and EY feature specialized Business and Investment Guides with more detailed content. You can download them free of charge here:



www.ey.com/pe

The civil construction regime is only applicable to those workers who are engaged in construction work, classified as skilled labors, semi-skilled labor and unskilled labor. For workers who are not under this regime, the general labor regime is applied, as follows:

a. Employment Contracts

Employment contracts may be signed for an indefinite period of time or for a fixed period of time (subject to conditional provisions). A fixed term contract must be entered into in writing and must expressly state the reason for the temporary nature of this type of contract.

b. Remuneration and Benefits

Workers not subject to the civil construction regime are entitled to the following fringe benefits, which are borne by the employer:

- ▶ **Vacation Pay:** Workers are entitled to thirty (30) calendar days of paid vacation leave for each full year of service, provided that they have worked the minimum number of days required by law.

- ▶ **Statutory bonuses:** Workers receive two bonuses during the year, the first one in July and the second one in December.
- ▶ **Extraordinary bonus:** It is equivalent to 9% of the statutory bonus, and is paid at the same time as the legal bonus. If workers are affiliated to a Healthcare Service Provider (EPS), the bonus amounts to 6.75% of the statutory bonuses.
- ▶ **Severance Pay (CTS):** This is a fringe benefit for the provision of contingencies arising from the termination of employment and the promotion of the wellbeing of workers and their families. Payment is made through a deposit in the workers' bank account in May and November. Workers are authorized to dispose of part of the CTS before the end of their employment relationship, subject to certain conditions.
- ▶ **Distribution of Profits:** Companies with more than twenty (20) workers engaged in business income generating activities must distribute a percentage of their annual income before taxes among all their workers. The percentage of participation is established by law.
- ▶ **Family Allowance:** Workers who have one or more children under the age of 18 or, if older, that are pursuing tertiary or university studies, are entitled to this benefit until they reach the age of 24. This allowance is equivalent to 10% of the Minimum Base Salary, currently set at PEN1,025.

2.

Special Labor Regime For Civil Construction

In Peru, there is a general regulation applicable to private sector workers. However, certain sectors are governed by a special regulation.

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

Requirements:

The application of the civil construction regime is only possible when the following requirements are met:

1. Companies that are engaged in or promote construction activities.
2. The activity must be included in Major Division 5 of the United Nations International Standard Industrial Classification (ISIC).
3. Companies that, exclusively, execute works whose individual costs exceed 50 Tax Units¹ (known as UITs in Peru) equivalent to PEN235,000 (approximately USD62,162).



¹ A Tax Unit (UIT) amounts to PEN4,600 for the year 2022. To calculate individual cost of works, all expenses will be taken into account, including wages and materials.

Category of Workers

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

- ▶ **Skilled Labor:**
Personnel who has obtained qualifications in a certain specialty, such as bricklayers, carpenters, electricians, painters, gasfitters, plumbers etc.
- ▶ **Semi-Skilled Labor:**
Personnel who has not reached certain qualifications (semi-qualified) and who perform the same trade or occupation as the skilled labor, but works as assistants to them.
- ▶ **Unskilled Labor:**
Unqualified personnel who carry out auxiliary construction tasks.

Remuneration and Benefits

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

The collective agreements are signed each year, and the 2019-2020 Collective Labor Convention for Civil Construction is currently in force².

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



² At the close of this edition, Collective Agreement 2021-2022 was adopted, which runs from June 1, 2021 to May 30, 2022, agreeing on an increase of PEN2.50 for skilled labor, PEN1.90 for semi-skilled labor and PEN1.70 for unskilled labor.

Table of salaries with social benefits (per day's wage)*			
Category	Skilled Labor	Semi-Skilled Labor	Unskilled Labor
Daily Wage	74.30	58.45	52.50
Sunday Wage	12.38	9.74	8.75
Unified Construction Bonus (BUC)	BUC 32%: 23.78	BUC 30%: 17.54	BUC 32%: 15.75
Transportation Bonus	8.00	8.00	8.00
Vacations 10%	7.43	5.85	5.25
Christmas Bonus	19.81	15.59	14.00
Extraordinary Bonus (Law 29351) for Christmas Bonus	1.78	1.40	1.26
National Holiday Bonus	14.15	11.13	10.00
Extraordinary Bonus (Law 29351) for National Holiday Bonus	1.27	1.00	0.90
Compensation 12% + Profitability 3%	11.15	8.77	7.88
Family Allowance	6.19	4.87	4.38
Education Allowance	0.21	0.16	0.14
Extra Hour	9.29	7.31	6.56
Extra Hour (holidays and special requirements) 60%.	14.86	11.69	10.50
Extra Hour 100%.	18.58	14.61	13.13
H.S. Compensation 15%.	1.39	1.10	0.98
Highly Specialized Bonus (BAE)	Medium Equipment Operator BAE 8%: 5.94 Heavy Equipment Operator BAE 10%: 7.43 Electromechanical Operator BAE 15%: 11.15 Operator Surveyor BAE 9%:6.69	Not Applicable	Not Applicable
Health Insurance, paid by the employer (EsSalud)	9%	9%	9%
Statutory Occupational Life and Disability Insurance	Yes	Yes	Yes
Life Insurance (Statutory)	Yes	Yes	Yes

*The amounts are considered on a daily basis and are expressed in Soles.

Source: <https://www.ftccperu.com/index.php/biblioteca/send/6-tabla-salarial/77-tabla-salarial-construccion-civil-2021-2022>

3.

Intermediation and Outsourcing Services in Civil Construction

Peruvian law has regulated two mechanisms to organize productive activities in civil construction works:

- ▶ Intermediation services
- ▶ Outsourcing with continuous posting of workers.

Outsourcing activities that belong to the company's core business is not allowed. It is important to note that companies have 6 months since February 2022 to adapt their contracts to this restriction.

In the civil construction sector, outsourcing contracts are entered into with contractors and subcontractors.

It is important to point out that the main company, the contractor and the subcontractor are all jointly and severally liable for the period of time that workers are on the job and up to one year following completion of this period, in the event of failure to comply with the law:

1. Payment of Remunerations and Fringe Benefits.
2. Obligations towards the Social Health Insurance System: Contributions to EsSalud (9%).
3. Obligations with respect to social security: Withholding and payment of contributions to the National Pension System (ONP) or to the Private Pension System (AFP) as well as contracting an Occupational Life and Disability Insurance (SCTR) and a Statutory Life Insurance.
4. Obligations with respect to Occupational Safety and Health: Compensation for damages and services as a result of occupational accidents or illness.

4.

Surveillance, Prevention And COVID-19 Control Obligations - Civil Construction Workers

Obligations

1. Due to the spread of COVID-19, employers must comply with seven guidelines for the surveillance, prevention and control of workers' health who are exposed to COVID-19, in accordance with Ministerial Resolution 1275-2021-MINSA.

It is important to note that currently it is mandatory to be fully vaccinated in order to return to work.

Employers must guarantee the following:

- ▶ Cleaning and disinfection of workplaces.
- ▶ Assessment of workers' health condition prior to return or re-entry into the workplace.
- ▶ Mandatory hand washing and disinfection.
- ▶ Awareness of infection prevention at the workplace.
- ▶ Preventive measures for collective application.
- ▶ Personal protection measures.
- ▶ Workers' health surveillance in the context of COVID-19.

2. Construction and Sanitation: The Health Sector Protocol was approved for the gradual resumption of activities, in accordance with the provisions of Ministerial Resolution 087-2020-PRODUCE.

Employers who carry out construction works must implement the following during the Public Health Emergency:

- ▶ A surveillance, prevention and control plan of COVID-19 at the workplace.
- ▶ Preventive measures during the startup phase
- ▶ Preventive measures in the implementation and closure phase.
- ▶ Protective measures at work.
- ▶ Preventive measures for off-site personnel.
- ▶ Measures for the operation of heavy machinery.
- ▶ Preventive measures in salesrooms.
- ▶ Protective measures for workers with signs of infection.

5.

Employment Contracts for Individuals Working in Peru

1. Employment Contracts for Peruvian Citizens

The laws of the Republic of Peru establish that open-ended contracts are the legal default scheme for hiring personnel in Peru. However, as an exception, fixed-term contracts can also be signed. Fixed-term contracts require by law an objective cause that supports a fixed hiring period (for example, the start-up of a new business, specific projects or services, contract substitution, etc.) and their effectiveness is subject to compliance with certain formal requirements.

This type of contract must comply with the rights and benefits granted to employees by law.

2. Employment Contracts for Expatriates

a. General Information

Contracts for expatriates in Peru are regulated by a specific law that governs the hiring of specialized foreigners to cover positions that cannot be filled by Peruvian workers. These are renewable contracts with a term of up to three years.

The contracts can:

- Establish percentage restrictions or
- Be exempt from percentage restrictions

As a general rule, foreign employees should not exceed 20% of the company's personnel. Salaries paid to expatriates should not exceed 30% of the total payroll. An exception to these limits are professionals and specialized technicians or management personnel of a new entrepreneurial activity or in cases of a business reconversion substantiated with the corresponding documentation.

This type of contract must be approved by the Ministry of Labor. At present, approval is automatic at the time the document is registered.

b. Specific regulation for certain nationalities

There are some exceptions for hiring personnel of certain nationalities such as:

- Andean Community: Bolivia, Colombia, Ecuador; Spain (Double Nationality Agreement).
- Mercosur: Argentina, Bolivia, Brazil, Paraguay, Uruguay, Chile, Colombia, Ecuador. Also, in the event the expatriate is a first-generation descendant of a Peruvian citizen or has Peruvian descendants, hiring will take place under the Peruvian personnel hiring scheme and, consequently, employment contracts will not require approval by a Labor Authority (but will need to be notified) or comply with the conditions provided by law for contracting foreign personnel.



Knowledge of immigration issues, such as the application procedure for work and business visas, is essential for good recruitment planning.

Valeria Galindo

People Advisory Services Partner



6.

Immigration Issues

1.

Work Visa

A Work Visa allows foreign workers who intend to live in Peru to perform subordinate activities for a local employer or independent activities in the private or public sectors through an employment contract approved by the Labor Authority, or a service contract.

This can be a temporary visa for less than one year, or a resident visa for one year or more, which can be renewed. In the event of its renewal, the employment contract must be in effect during the same time period as the visa.

Application Procedure

a. Application while the expatriate is abroad - To be collected at the Peruvian Consulate

This entails having all the required documents in Peru when applying for a visa. The documents need to be authenticated by the Peruvian consulate abroad and then legalized at the Ministry of Foreign Affairs, or apostilled abroad (Hague Convention) to be accepted in Peru. Translation into Spanish will be required by a Peruvian state certified translator, including the employment contract in case is in a foreign language.

As expatriates will be abroad during the process, once the visa is approved, applicants will need to collect the visa at the previously selected Peruvian Consulate according to their place of residence. Once the visa is stamped on the passport, the entrance to Peru can be scheduled. Once in Peru, additional actions need to be taken until the alien registration card (C.E.) is issued (in the case of a one-year visa). This process usually takes thirty (30) business days as from the date the application is filed with Immigration Services.

b. Application once the expatriate is in Peru - Change of migratory status

In Peru, expatriates can start performing their activities once their visa is approved. Entering Peru with a business visa is recommended, to avoid inspection risks. In case permanence in the country is as a tourist, a special permit to enter into contracts will be needed to sign the employment contract duly approved by the Ministry of Labor.

All the documents to process the visa will be obtained in Lima. Once the visa is approved, the recipient is registered as a resident to coordinate the collection of the alien registration card. Otherwise, if the stay is temporary, the visa is stamped on the recipient's passport. This process usually takes sixty (60) business days as from the date the application is filed with Immigration Services. If during the evaluation process the expatriate needs to travel abroad, a special travel permit will be required.

2. Designated Work Visa

A Designated Work Visa allows designees employed by a foreign company to perform highly specialized technical assistance in Peru. For this visa, a service contract must be signed between the foreign company and the local company (recipient) specifying the technical assistance required from the company, among other documents (designation letter, authorization letter or a letter from the local company). This can be a temporary visa for less than one year, or resident visa for one year or more.

The activities that can be performed with a Designated Work Visa are for a specific task or activities that require professional, commercial or technical know-how. The entity that will receive the service is the local company. As a matter of fact, an agreement will be entered into between the foreign and local companies as a backup document. The foreign company will provide a service to the local company and will send its employees to provide this service. There will be no labor relationship between the expatriates and the local entity.

Application Procedure

a. Application while the expatriate is abroad - To be collected at the Peruvian Consulate

This entails having all the required documents in Peru when applying for a visa. The documents need to be authenticated by the Peruvian Consulate abroad and then legalized at the Ministry of Foreign Affairs, or apostilled abroad (Hague Convention) to be accepted in Peru. Translation into Spanish will be required by a Peruvian state certified translator.

As expatriates will be abroad during the process, once the visa is approved, applicants will need to collect the visa at the previously selected Peruvian Consulate according to their place of residence.

Once the visa is stamped on the passport, the entrance to Peru can be scheduled. Once in Peru, additional actions need to be taken until the alien registration card (C.E.) is issued (in the case of a one-year visa). This process usually takes thirty (30) business days as from the date the application is filed with Immigration Services.

b. Application once the expatriate is in Peru - Change of migratory status

In Peru, expatriates can start performing their activities once their visa is approved. Entering Peru with a business visa is recommended to avoid inspection risks. Documents to process the visa will be obtained in Lima and others from abroad.

Once the visa is approved, the designee is registered as a resident and will be given an alien registration card. Otherwise, if the work is temporary, the visa will be stamped on the designee's passport. This process usually takes sixty (60) business days as from the date the application is filed with Immigration Services. If during the evaluation process the expatriate needs to travel abroad, a special travel permit will be required.

3. Business Visa

A Business Visa allows the holder to carry out business activities, as well as to provide legal, contractual, specialized technical assistance for short periods, or perform other similar activities.

Application Procedure

This visa is granted at the Peruvian Consulate for a maximum of 183 calendar days. Exceptions include the granting of a Business Visa at the airport in Peru, for example: Schengen community countries (for 90 calendar days only, and permanence in the country for a maximum of 180 days); Pacific alliance countries for 183 days; Chinese nationals are also exempted from requesting a business visa at a Peruvian Consulate for a maximum of 183 calendar days if they can prove compliance with one of the following conditions:

- They hold a visa valid for a minimum period of six (6) months granted by the United States of America, Canada or the United Kingdom, Australia or a State of the Schengen Community.
- They hold a valid permanent residence from the United States of America, Canada or the United Kingdom, Australia or a State of the Schengen Community.



7.

Individual and Labor Taxes

1. Income Tax

a. Residence for Tax Purposes

Income tax treatment depends on whether an individual is considered a resident or non-resident for tax purposes. According to the Income Tax Act, individuals are considered as tax residents in Peru when they have spent more than 183 calendar days in the country during any 12-month period. This change will only become effective as of January 1 of the following year, when compliance with this requirement is evident.

Foreign individuals remain as tax residents in Peru for tax purposes, until they meet the permanence requirement detailed above.

b. Labor and Individual Taxes

According to the Income Tax Act, the compensation received for services rendered within Peruvian territory will be considered as Peruvian Source Income, irrespective of the location of the legal entity or individual paying the income. Hence, the remuneration received by employees or expatriates for services rendered in Peru will be subject to Peruvian income tax.

It must be noted that the employers will be liable to withhold and pay to the Tax Authority the employee's income tax. For this purpose, it must determine the employee's income tax debt and withhold the appropriate amount on a monthly basis, and then pay the income tax to the Tax Authority, based on the tax resident status of the individuals and the procedure provided by law.

In the event employees are considered non-residents for tax purposes, a fixed tax rate of 30% will be applicable over the remuneration received for their work in Peru, as of the first day of service, regardless of where payment is effected.

In case of tax residents, a cumulative bracketed income tax rate is applicable:

First PEN30,100 per year	0%
First PEN21,500, after initial deduction	8%
PEN21,500 to PEN86,000	14%
PEN86,000 to PEN150,500	17%
PEN150,500 to PEN193,500	20%
In excess of PEN193,500	30%

The tax unit in force during fiscal year 2020 was PEN4,300.

Further to the deduction of seven tax units to be applied on the resident's gross income, an additional three tax units can be deducted from the calculation basis, subject to specific limits and requirements, for expenses incurred as a result of lease/sublease agreements, hotel, restaurant and bar expenses, professional fees for doctors and dentists, payment for services rendered that qualify as self-employed remuneration (fourth income tax bracket) for specific professionals and payments made to EsSalud (Social Health System) in favor of domestic workers, if reported in an Annual Income Tax Return.

It is important to note that all the expenses mentioned above must be paid through the financial system using the methods approved by the Tax Authority (bank transfers, credit and/or debit cards, but not cash).

c. Tax Exemptions

Non-resident individuals temporarily entering the country to perform the following activities will not be taxed for revenues obtained in their home country, since they are not considered as Peruvian source income:

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

Additionally, the following are not subject to taxation in Peru:

- ▶ Amounts paid to non-domiciled employees, their wives/husbands and children for the items set forth below:
 - Flight tickets at the inception and termination of the employment contract.
 - Family and food allowances paid during the first three (3) months of residence in Peru.
 - Shipment of household goods to the country, at the beginning of the contract.
 - Flight tickets to the employee's home country due to vacation during the term of the employment contract.
 - Shipment of household goods to the employee's home country, upon termination of the contract.

All the expenses referred to above must be included in the employment contract approved by the Peruvian Labor Authority establishing that the costs will be assumed by the employer.

- ▶ Amounts that users of technical assistance pay to non-resident individuals hired to provide services in Peru, for flight tickets inside and outside the country, as well as family and food allowances in Peru.
- ▶ Expenses and contributions related to health benefits granted to all employees.
- ▶ Remuneration assigned to a sole proprietor that is considered as third income tax bracket – Income related to any business activity.

d. Double Taxation Treaties

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

Finally, note should be taken that tax resident individuals will be liable to file a tax return, provided they receive income other than employment income. The law establishes this obligation (i.e. a domiciled individual who receives remuneration and interest from a bank account abroad). Hence, there is no obligation to file a tax return if tax resident individuals receive only employment income.

2. Social Security Contributions

a. Pension Systems and Contributions

Employees can alternatively join the Government Pension System (GPS) or the Private Pension System (PPS). In the GPS, employees must make contributions equal to 13% of their remuneration. In the PPS, employees must make contributions Equal to an average of 12.93% of their monthly remuneration paid only in cash. Irrespective of the system chosen by employees (GPS or PPS), the employer is responsible for withholding employees' contributions from their remuneration.

b. Health Insurance Contribution

This contribution is paid by the employer and its purpose is to fund the Social Healthcare System (EsSalud), which provides healthcare services and pays subsidies in case of employees' disability. It is collected by the Peruvian Tax Authority (SUNAT). The amount is equal to 9% of the employees' remuneration.

If the company provides health coverage to its employees using its own resources or through an EPS (Private Healthcare Service Provider), it can request a credit of up to 25% of the Healthcare System contribution, subject to certain limits established by law.

c. Statutory Employer-Provided Life and Disability Insurance

This is a mandatory insurance paid by the employer. Premiums depend on the number of insured employees, occupational risks, and in general, on the terms agreed with the insurance company.

d. Occupational Life and Disability Insurance (SCTR)

This is a mandatory insurance to be paid by companies whose activities entail a certain level of risk such as fishing, construction, air transportation, manufacturing, among others described in Appendix 5 of Executive Order (*Decreto Supremo*) 009-97-SA, and provides additional coverage for health and pension plans. The health service agreement may be entered into with EsSalud or with a Private Healthcare Service Provider (EPS). A pension agreement can be entered into with the Government Pension Fund Agency (ONP) or with a private insurance company. The rates depend on the type of activity and/or the terms agreed on with the insurance company.

e. Other Contributions

Additional contributions are applicable based on the company's activities, such as the Retirement Fund, which applies to mining, metal and steel companies, among others.



Peru must begin to have a history in infrastructure activities and highlight it as one of the engines of its growth.

Mauro Ugaz

People Advisory Services Partner





7. Global Trade Framework

Executive Summary

- ▶ Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%.
- ▶ Likewise, the Value Added Tax (VAT) of 18% is applied to imported goods, which can be used as input VAT (tax credit) by the importer.
- ▶ An Advanced VAT Payment System would apply on imports with rates of 3.5%, 5% or 10%, having a taxable base consisting of the CIF value plus all taxes levied on the import and other surcharges, which can also be used as input VAT by the importer.
- ▶ It must be noted that the World Trade Organization (WTO) rules are applicable to determine the customs value of imported goods. In that regard, in case that the imported goods are related to the development of engineering for their manufacturing, depending on the characteristics of the engineering service (engineering, development, artwork, design work, plans or sketches), the amount of the service must be added to the customs value of the imported goods (taxable base for import taxes).
- ▶ In addition, there are local regulations that establish requirements for the entry of goods that are considered restricted, and conditions to be considered when the entry to Peruvian territory of certain goods is prohibited.
- ▶ Peru has 22 Free Trade Agreements and Economic Integration Agreements (FTA & EIA) in force that could provide the importer with custom duty reductions on imports if certain requirements are met.
- ▶ The export of goods from Peru is not levied with custom duties nor VAT. Certain time frames must be met when exporting goods which ownership was transferred in the country prior to loading.
- ▶ Peruvian Customs regulations have established customs benefit regimes for certain type of operations, allowing, between others, the temporary import of goods, warehousing of goods previous to their import into the country and an Amazon special tax zone. The benefits of this regimes can be accessed if the established conditions and requirements are met.

“

According to the Customs Valuation Agreement of the World Trade Organization (WTO), in order to determine the customs value of imported goods, the transport costs and expenses related to the transport of such goods up to the port or place of importation and the cost of insurance, are part of the customs value. Therefore, any significant change in the elements that make up transportation costs will have an impact to determine the customs value and, therefore, in the final calculation of import taxes and, consequently, in the final prices to importers.

Giancarlo Riva
Global Trade Services Partner



1.

Customs Taxes

1. Import of Goods

Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%¹. Likewise, the Value Added Tax (VAT) of 18% is applied to imported goods.

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

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

Tax	Rate	Taxable Base
Customs Duties ^(a)	0%, 6% y 11% ²	CIF value (WTO Customs Value)
Value Added Tax (VAT) ^{(b) (c)}	18%	CIF Value + Customs Duties + Excise Tax (if applicable)

(a) Customs duties rates depend on the type of goods being imported. Capital goods (fixed assets) are generally subject to a 0% rate.

(b) Value Added Tax (VAT) can be used as tax credit by the importer.

(c) Certain goods are additionally subject to Excise Tax or Luxury Tax (ISC).

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

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

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

¹ An ad valorem rate of 4% is charged in the case of Express Shipment (goods with an FOB value of USD200 or more, up to a maximum of USD2,000 per shipment).

² For Express Shipments, an ad valorem rate of 4% is charged.

The import of goods is subject to the Advanced VAT Payment System, wherein the tax is determined by applying a percentage to the CIF customs value plus all taxes levied on the import and other surcharges, where applicable. The applicable tax rates are 3.5%, 5%, or 10%, depending on the situation of the importer and/or the goods to be cleared through customs. Like VAT, the amount paid may be used by the importer as a tax credit. However, there are certain cases in which the VAT paid in advance is not applicable; for example, when the import procedure is performed by VAT withholding agents, or in the case of certain goods excluded from this system. Additionally, there are some sensitive products that need further analysis.

When importing goods worth more than USD2,000, the services of a customs agent or broker authorized by Peruvian Customs will be necessary to undertake the documentary and electronic procedures for import. It should be noted that the importer will be required to produce the necessary documents that support the entry of goods, such as commercial invoices, shipping documents, etc.

Also, the payments related to imported goods must be made using authorized payment methods such as account deposits, fund transfers, payment orders, among others established in Section 5 of Executive Order (*Decreto Supremo*) 150-2007-EF. This is mandatory for transactions with an amount of PEN2,000 (USD500) or higher.

In addition to the formalities of customs clearance procedures, there are local regulations that establish additional requirements for the entry of goods that are considered restricted, and conditions to be taken into account when the entry to Peruvian territory of certain goods is prohibited. Further details are provided below.

2. Export of Goods

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

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

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

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

If the established terms expire without the goods having been shipped, it will be understood that the operation has been performed in national territory, and will be levied with or exempted from VAT, as applicable.

2.

Free Trade Agreements And Other Commercial Agreements

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

► **Andean Community (CAN)**

Peru, together with other South American countries (Bolivia, Colombia and Ecuador) is a member of the Andean Community (CAN) since 1997. Within this framework, there are agreements related to zero customs duty rates for goods, as well as to customs value determination rules, regulations for land, air and water transportation, etc. A significant part of Peruvian trade regulations is governed by the commitments made under this forum.

► **Southern Common Market (MERCOSUR)**

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

► **Pacific Alliance**

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

► **Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP)**

The Comprehensive and Progressive Agreement for the Trans-Pacific Partnership is a multilateral commercial agreement signed with Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Singapore and Vietnam. This agreement incorporates the provisions of the Trans-Pacific Partnership Agreement (TPP), since the last one did not enter into force.

► Bilateral Free Trade Agreements

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

In May 2019, Peru together with Colombia and Ecuador signed a Trade Agreement with the United Kingdom of Great Britain and Northern Ireland.

Also, Peru has concluded Free Trade Agreement negotiations with Brazil and Guatemala.

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

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

3.

Restricted or Prohibited Goods

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

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

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

- National Superintendency of Tax Administration (SUNAT) through the National Intendency of Chemical Supplies and Supervised Goods for controlled chemical inputs.
- Ministry of Health (MINSA) through the Medicines, Supplies and Drug Administration (DIGEMID), with respect to medicines and medical devices; and through the Bureau of Environmental Health (DIGESA) with regard to food and beverages, etc.
- Ministry of Energy and Mines (MINEM) in the case of goods (products, machinery and equipment) that use radioactive sources.

- ▶ Ministry of Internal Affairs (MININTER) through the National Superintendency for the Oversight of Security Services, Weapons, Munitions, and Explosives for Civilian Use (SUCAMEC) for goods such as firearms, explosives, etc.
- ▶ Ministry of Agriculture and Irrigation (MINAGRI) through the National Agricultural Sanitation Service (SENASA) as the institution in charge of protecting agricultural and animal health, etc.
- ▶ Ministry of Transportation and Communications (MTC) for radio-electric transmitters in general and/or communications equipment/devices.
- ▶ Ministry of Foreign Affairs (MRE) for texts and/or publications that include geographical-cartographical and historical material.

Furthermore, prohibited goods are not allowed to enter or leave the country. Certain goods are considered restricted or prohibited for export as well.

4.

Temporary Admission for Re-exportation in the Same State

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

In addition, the ATA Carnet could be used as a guarantee. The ATA Carnet is a form of temporary import governed by the Customs Convention on the ATA Carnet for Temporary Admission of Goods, established in 1963. In Peru the following goods can be imported under the ATA Carnet:

- ▶ Commercial samples.
- ▶ Goods to be used or used in an exhibition, fair, congress or similar event.
- ▶ Goods considered as professional, journalism material, broadcasting, television, cinematographic and other professional material.

5. Bonded Warehouses

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

6. Amazon Tax Special Zone

The Amazon Tax Special Treatment Zone (related to the “Peruvian-Colombian Protocol” - PECO), was created with the objective of promoting the integral development of the Amazonian Region, establishing conditions for the promotion of public and private investment. The promotion measures considered are listed below:

- ▶ **“Peruvian-Colombian Protocol” - PECO:** Under this Protocol, the importer may make a claim for preferential tariff treatment to the import of certain goods that are detailed in the Common External Tariff that is part of the Protocol.

The preferential treatment only applies when the goods are imported to the departments of Loreto, San Martín and Ucayali.

- ▶ **Act for Investment Promotion in the Amazon - Law 27037:** This law allows the entry of certain goods into Peru for consumption into the Amazon (goods classified in chapters 84, 85 and 87 of the Customs Tariff), exempted from the payment of VAT, until December 31, 2029 (except for the department of Loreto, which will benefit from this law until December 31, 2028).

For purposes of this benefit, among other aspects, the Amazon is composed of the departments of Amazonas, Loreto, Madre de Dios and Ucayali, as well as some provinces in the departments of Ayacucho, Cajamarca, Cuzco, Huánuco, Junín, Pasco, Puno, Huancavelica, La Libertad and Piura.



8. Environmental Issues

Photograph: © ProlInversión

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Guide to Investing in Infrastructure Projects in Peru 2022 / 2023



Executive Summary

- ▶ Local environmental regulations could seem overwhelming at first glance, nevertheless due to the extent and diversity of the approved legislation, most of the aspects related to any kind of project have already been covered.
- ▶ Project developments must take into consideration many variables in order to comply with the environmental legislation; however, once a project holds an authorization, most aspects that can affect it are covered by it.
- ▶ The most important authorization necessary to start and develop a project in Peru is an Environmental Management Instrument. This instrument, approved by a specialized authority, contains all the information related to the impacts a project can produce on the environment, as well as the mitigation and control methods necessary to prevent its contamination. Alongside the project information, Environmental Management Instruments also integrate many of the obligations that could be associated with a project such as waste management, water resources, effluent management, hazardous and restricted substances control, energy sources, protection of natural areas, as well as archeological heritage, among others. It is important to mention that each environmental aspect is supervised and overseen by a specific authority specialized in each sector.
- ▶ Additionally, It is relevant to mention that several governmental agencies in Peru are currently working towards a no-paper policy, following a digital governance guideline, which has resulted in the implementation of different tools that allow project holders to submit and receive information, as well as requests, through online platforms, reducing procedural delays.
- ▶ Environmental protection is a developing and dynamic area due to its importance and relevance in society. Peruvian legislation is no stranger to the need for the continuous improvement and specialization of environmental regulations, which can be reflected on the measures taken and proposed projects that aim at the full protection of the environment. (taxable base for import taxes).

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It is impossible today to conceive of any infrastructure project without understanding the environmental regulation that is applicable and ensuring due compliance, given that otherwise it would remain exposed to significant fines, shutdowns and closures.

Jorge Leturia

EY Law Environmental Leader



1.

Overview

Environmental protection has gained special importance over the past few years, which has been reflected in the evolution of global and local legislation.

Until the 90s, the legal framework in Peru was weak, since there was no real supervision and there were only a few experts in the area. However, during the past two decades, the government has gained awareness of its importance and the need for stronger and more solid environmental regulations, which has been reflected in the changes and improvements made to the legal framework, alongside direct actions on the area. These improvements imply the need to comply with strict obligations that cannot be overlooked or dismissed, not only because of the possible monetary consequences or reputational risks, but more importantly, in order to protect natural resources and the environment.

Additionally, not only the government oversees environmental protection, but society also plays a key role in it; therefore, sometimes social conflicts can influence a project that can result on delays or even put them at risk. However, this has also been taken into consideration and is reflected in the evolution of the respective regulations, with the implementation of proper mechanisms in order to prevent and even solve conflicts, while securing a proper protection of the environment.

2.

Legal Framework

Peru has a large and diverse set of environmental regulations that require compliance. These obligations are distributed according to distinct specialties and monitored by the pertinent authorities. Current regulations can be divided into two groups, the first one consisting of general obligations that are bound to be complied with by every actor, and a second group that encompasses specific obligations related to the individual activities required for a project, contractual commitments, environmental effects as well as the project's location.

The General Environmental Act—Law 28611—provides the main legal framework, as well as general obligations that require compliance by project executors in environmental protection matters.

A team of specialized regulators is in charge of authorizing projects according to their specific sector, size and type. The supervision of the approved projects is also handled by specific competent authorities. This categorization ensures that projects are properly evaluated and supervised during their effective term.

Peru's Environmental Certification Service for Sustainable Investments (SENACE) was created in 2012 by Law 29968 as a specialized and independent agency that conducts environmental impact assessments for the largest investment projects in Peru.

Currently, most of the major projects require SENACE's approval of their correspondent environmental impact assessments. However, SENACE is not the only regulator on these

matters. Depending on the size or extension of a project, environmental impact assessments may be handled by the corresponding ministry of a specific sector. In recent years, the government has been making efforts to unify its regulators according to categories. This unification is not an easy task and has to be done progressively, especially because of setbacks that can be encountered in the process. Even though the most important projects are monitored by SENACE, it is always important to verify the identity of the main regulator and associated supervisors.

Additionally, when a project involves different aspects as water use or disposal, energy generation, restricted products, transportation, among others, there are different authorities involved that authorize and regulate each specific aspect such as the National Water Authority, the Bureau of Environmental Health, Water Utility Companies, the National Superintendency of Tax Administration (SUNAT), etc.

Besides the regulators, there are also a series of inspectors and authorities that verify compliance with different obligations. The Environmental Assessment and Supervisory Board (OEFA) monitors environmental compliance, waste management, environmental complaints, as well as solid waste infrastructure and environmental consulting services, among other matters. OEFA can carry out audits at any moment, start administrative procedures, impose fines, and also has the authority to suspend projects.

OEFA is also qualified to receive any kind of environmental complaint from any person, even if it is not the direct inspector, and has the obligation to refer it to the competent authority. It can also follow up on a complaint to verify that it is being processed.

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

A breach, or non-compliance, of any environmental obligation can lead to a direct consequence, such as the temporary closure of the project or the start of an administrative procedure.

Compliance is highly important in order to protect the environment and ensure the continuance of operations.

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

If an inspection concludes that there is evidence or indication of non-compliance, then an administrative procedure is initiated.

This procedure is managed by the authority in charge, with established guidelines, instances and opportunities for the project holders to file rebuttals and execute their legitimate defense.

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

Local stakeholders also play an important role, since the Peruvian legislation establishes that they can participate in prior consultations when required. If the communities surrounding the project believe they can be affected, if there is a setback in negotiations or the commitments are not met, social conflicts can arise, which can also delay the projects. When managed correctly, projects are also subject to incentives and recognitions by the government. The National Environmental Award recognizes those who contribute with environmental protection through specific projects, correct waste management, recovery of natural areas, etc. OEFA also has different incentives like the Annual Ranking of Environmental Excellence (REAL); Green Leaf, also known as Qumir Rapi, Green Life or Qumir Kawsat; and a Fine Discount Certificate. To be eligible for any of these recognitions, projects must be registered in the Good Practices Register and have a sustainable practice in operation.

a. Environmental Management Instruments

The National Environmental Impact Assessment System (SEIA) was created by Law 27446 as a unique and coordinated system to identify, prevent, supervise and correct any possible negative environmental impacts, including national policies and plans, and its Regulations were approved by Executive Order (*Decreto Supremo*) 019-2009-MINAM. The SEIA establishes the projects that are required to have an Environmental Impact Assessment (EIA).

It also regulates the categorization of said studies according to their impact. Those who want to start a project of any kind are subject to the established procedures for obtaining the corresponding Environmental Certification through SENACE or the competent Ministry.

In the event that a project is not listed, the holder can consult the Ministry of the Environment (MINAM) to verify if certification is required. In the case that an Environmental Certification is not required, the project might still require the submission of an Environmental Management Report, depending on the Ministry in charge of overseeing the project.

Ministerial Resolution 157-2011-MINAM, as amended, lists the projects that are subject to the SEIA regulations, including projects related to agriculture, tourism, electricity generation, malls, road infrastructure, telecommunications infrastructure, health establishments, waste management infrastructure, multifamily housing, parking buildings, water and sanitation projects, among others.

These instruments must be followed and updated when necessary. The obligations set out by environmental certificates range from monitoring environmental factors periodically, having waste management plans in place, making proper use of water and its disposal, fulfill oil and gas obligations if necessary, prevent soil contamination, to mention a few.

The Environmental Impact Assessment (EIA) determines the obligations of each project based on its type, location, impact, duration and size, and is undertaken by registered Environmental Consulting Firms.

The first step to determine the obligations of a project is to classify it according to the established categories. Secondly, a Public Participation Plan must be drawn up with the stakeholders in its area of influence.

Following the initial approvals, project holders are required to establish a baseline, a process usually accompanied by the regulator. The Environmental Impact Assessment (EIA) is evaluated and approved accordingly if it is determined that it includes all the necessary aspects relevant to environmental protection. In some cases, the regulator might raise observations to be addressed by the project holder.

Once an EIA is approved it can also be amended or updated depending on the requirements of the project. This process is also regulated, and holders must comply with the established obligations at the appropriate time or they will be subject to an administrative procedure and fines.

The legislation related to environmental control keeps being updated and becoming more specialized. Executive Order 021-2021-MTC issued by the Ministry of Transportation and Communications approves the Environmental Supervision and Enforcement Regulations, establishing the base rules for future inspections. This demonstrates the importance of the sector.

b. Water Resources and Effluents

The Water Resources Act—Law 29338—and its Regulations approved by Executive Order 001-2010-AG, lay out the legal framework related to water use and effluents disposal.

Peru has a specialized authority that regulates water use and issues the necessary permits for different projects.

The National Water Authority (ANA) is the office in charge of approving water supply studies and its works; it also issues authorizations for water use and disposal. Water sources in Peru are divided in superficial and groundwater, and can be extracted from rivers, lakes, wells or the ocean.

Peru has a diverse list of water sources, which are controlled and protected to avoid contamination and secure a continued supply. ANA, which is an agency attached to the Ministry of Agriculture and Irrigation (MINAGRI) is assisted by Local Water Administrators and the Administrative Water Authority (AAA), which support its work locally, to ensure a greater presence and carry out more extensive supervision work.

The main operating permits required by projects include the Water Use License, Water Use Permits, Water Use Authorization and the Residual Water Reuse Authorization.

Each permit allows project holders to make use of water resources in specific circumstances and must be requested following established procedures.

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

Water can be used in different ways, with specific permits required on a case-by-case basis. Additionally, if the water is to be used for human consumption, it also needs authorization from the Bureau of Environmental Health - (DIGESA).

Once water is disposed of, it also needs to fulfill pre-established obligations in order to ensure that the effluents will not endanger the environment. Some of these obligations can include treatment plants or grease traps. Water disposal can be done through the sanitation sewer network, managed by a Service Provider Company (SPC) or returned directly to nature through a water source. In both cases, effluents must comply with the maximum acceptable values or maximum permissible limits, as applicable. In the event it is determined that effluents are considered pollutants, the supervisory authority can impose a fine. In the case of water disposed through the sanitation sewer, SPCs charge an extra fee based on the non-compliance provision. If the water is disposed to a natural source, OEFA is the agency in charge of its inspection and the subsequent imposing of fines.

c. Other Permits and Authorizations

In addition to environmental certificates and water authorizations, projects are also subject to another set of permits and obligations related to their location.

Local governments are in charge of issuing construction and operating licenses, carrying out technical safety inspections, authorizing the transit of certain vehicles, determining the use of the streets adjacent to the projects, and in some cases, they can determine working hours depending on the zoning.

Besides issuing special permits, local governments also monitor noise pollution, sanitation obligations, waste management, air pollution, as well as handling possible claims presented by local stakeholders.

Depending on the location of the project and its characteristics, the involvement of other entities might be required, such as the National State-Protected Natural Areas Service (SERNANP), the Forest and Wildlife Service (SERFOR), the Coastguard Authority (DICAPI), the Supervisory Body of Private Investment in Energy and Mines (OSINERGMIN), the National Superintendency of Tax Administration (SUNAT), and the Office of the Prime Minister (PCM).

d. Waste Management

The Solid Waste Management Act, Legislative Order (*Decreto Legislativo*) 1278, and its accompanying regulations approved by Executive Order (*Decreto Supremo*) 014-2017-MINAM, regulate how solid waste is managed, encouraging waste reduction, recovery, recycling and valorization, setting its goal on reaching an optimal circular economy production. The waste management legislation is constantly being updated and improved by the pertinent authorities. Therefore, it is important to keep track of its changes. Project holders need to develop, implement, and follow a Waste Minimization and Management Plan, which must be designed according to its activities and needs. This plan carries the main obligations that must be followed during the development of a project, encouraging the reduction of waste disposal, as well as the safe management of hazardous products.

Waste management is divided into two main categories based on its origin. The first one regulates municipal waste, which consists of household waste and it is mostly handled by the local government. The obligations related to municipal waste are usually simple and easy to follow.

On the other hand, non-municipal waste is handled by service operators due to its volume and characteristics. Alongside this main division, waste can also be classified according to its origin and hazardousness.

The categories that can be considered as special waste include not only hazardous or bio contaminated waste, but also the one originated from electric and electronic equipment or construction and demolition activities. These special categories have specific regulations that must be complied by project holders.

Construction and demolition waste is regulated by Executive Order (*Decreto Supremo*) 002-2022-VIVIENDA. This piece of legislation has been recently renewed, establishing new obligations not only for project holders, but also for waste operators and government authorities.

Electric and Electronic Equipment Waste is regulated by Executive Order 009-2019-MINAM, while Scrap Tires must follow the provisions approved by Executive Order 024-2021-MINAM.

Waste regulation is oriented towards the reduction of waste disposition, focusing on reduction, reuse, and recycling.

In general, infrastructure projects handle waste as non- municipal through a specialized operator. These service providers must have the necessary authorizations to operate according to their specific activities. This type of waste is also subdivided in different categories and managed accordingly.

Project holders are bound to follow the Solid Waste Management Act, which includes the obligation to submit waste management schemes for hazardous waste and reports, manage waste according to its category through a specialized operator, have proper waste storage locations, minimize waste, have sanitation systems, and properly identify waste.

e. Others

Most environmental agencies and authorities publish an Annual Environmental Assessment and Enforcement Plan (PLANEFA), which determines some of the main activities and areas to be covered during the year. This plan not only give project holders an overview of the main objectives of the environmental assessments to be held during the following years, but also allows the identification of the main aspects and issues that might need to be taken into consideration on project development.

It is also important to mention that the country is currently working on a Pollutant Release and Transfer Registry, as well as on legislation related to Carbon Credits.

Moreover, there is a tendency to promote a circular economy, which is currently being implemented by the production sector.

Peru is also currently upgrading its digital government tools, which allow project holders to submit and receive information, alongside others, through online mechanisms, reducing paper use and procedural delays.

Local environmental legislation not only regulates the main current aspects of projects, but also aims at satisfying future needs in environmental protection.



9. Appendix



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Principal Regulatory and Promotion Entities

1.

Central Reserve Bank of Peru - BCRP
(Banco Central de Reserva del Peru - BCRP)

Phone: +51 1 613 2000
www.bcrp.gob.pe

The Central Reserve Bank of Peru (BCRP) is an autonomous constitutional institution of the Peruvian State. According to the Constitution, the duties of the BCRP are to regulate currencies and credits in the financial system, manage international reserves kept in its custody, and other duties provided in the law that created the institution. Likewise, the Constitution establishes that the BCRP may issue coins and paper money and accurately and periodically inform the citizens on the state of national finances. It also has the responsibility of maintaining monetary stability, avoiding the pressures of inflation and depreciation on the economy.

2.

Office of the Prime Minister - PCM
(Presidencia del Consejo de Ministros - PCM)

Phone: +51 1 219 7000
www.pcm.gob.pe

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

3.

Ministry of Economy and Finance - MEF
(Ministerio de Economía y Finanzas - MEF)

Phone: +51 1 311 5930
www.mef.gob.pe

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

4.

**Ministry of Labor and Employment
Promotion - MTPE**

(Ministerio de Trabajo y Promoción del
Empleo - MTPE)

Phone: +51 1 630 6000
www.mintra.gob.pe

The Ministry of Labor and Employment Promotion (MTPE) is the State institution responsible for designing, coordinating, and executing the policies and programs aimed at creating and improving dignified and productive work through the promotion of job market insertion opportunities and skills, as well as fostering a democratic system of labor relations through labor coordination, monitoring compliance with laws, conflict prevention and resolution, and the improvement of working conditions.

5. National Institute for the Defense of Free Competition and the Protection of Intellectual Property - INDECOPI

(Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual - INDECOPI)

Phone: +51 1 224 7777

www.indecopi.gob.pe

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

6. Supervisory Board for Investment in Energy and Mining - OSINERGMIN

(Organismo Supervisor de la Inversión en Energía y Minería - OSINERGMIN)

Phone: +51 1 219 3400

+51 1 219 3410

+51 1 427 4935

www.osinerg.gob.pe

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

7. Supervisory Board For Private Investment In Telecommunications - OSIPTEL

(Organismo Supervisor de Inversión Privada en Telecomunicaciones - OSIPTEL)

Phone: +51 1 225 1313

www.osiptel.gob.pe

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

8. Supervisory Board for Investment in Public Transportation Infrastructure - OSITRAN

(Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público - OSITRAN)

Phone: +51 1 440 5115

www.ositran.gob.pe

The purpose of OSITRAN is to regulate, govern, supervise, and audit the behavior of the markets under its jurisdiction, with regard to the actions of service providers, as well as the compliance with concession agreements, impartially and objectively protecting the interests of the State, investors, and users.

9.
Agency for the Promotion of Private Investment - ProInversión
(Agencia de Promoción de la Inversión Privada - ProInversión)
Phone: +51 1 200 1200
www.proinversion.gob.pe

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

10.
National Superintendency of Labor Auditing - SUNAFIL
(Superintendencia Nacional de Fiscalización Laboral - SUNAFIL)
www.mintra.gob.pe

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

11.
Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP)
(Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - SBS-AFP)
Phone: +51 1 630 9000
www.sbs.gob.pe

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

12.
National Superintendency of Public Records Offices - SUNARP
(Superintendencia Nacional de los Registros Públicos - SUNARP)
Phone: +51 1 208 3100
www.sunarp.gob.pe

The mission of the SUNARP is to provide legal security and certainty of ownership of different rights duly registered with this institution, backed by modernization, simplification, integration and the specialization of registration nationwide.

13.
National Superintendency Of Sanitation Services - SUNASS
(Superintendencia Nacional de Servicios de Saneamiento - SUNASS)
Phone: +51 1 614 3180
www.sunass.gob.pe

SUNASS is a decentralized public institution that rules, regulates, supervises and controls water and sewage services provided, impartially and objectively protecting the interests of the State, investors, and users.

14.
**Superintendency of the Stock Market-
SMV**
(Superintendencia del Mercado de Valores -
SMV)
Phone: +51 1 610 6300
www.smv.gob.pe

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

Social conflicts have also played an important role throughout the years, delaying projects or putting them at risk, which has been reflected in the evolution of the applicable regulations as well as the active participation of local stakeholders.

15.
**Environmental Assessment and
Supervisory Board - OEFA**
(Organismo de Evaluación y Fiscalización
Ambiental - OEFA)
Phone: +51 1 204 9975
www.oefa.gob.pe

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

16.
**Ministry of Transportation and
Communications - MTC**
(Ministerio de Transportes y Comunicaciones
- MTC)
Phone: +51 1 615 7800
www.mtc.gob.pe

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

17.
Ministry of Energy and Mines - MINEM
(Ministerio de Energía y Minas - MINEM)
Phone: +51 1 411 1100
www.minem.gob.pe

MINEM is the entity in charge of promoting the development and use of energy resources in a rational, efficient and competitive manner, in a context of decentralization and regional development, prioritizing private investment, the satisfaction of demand, as well as the use of renewable energies.

Likewise, it promotes the development of the mining industry, watching over legal stability and the rational exploitation and introduction of clean technologies.

Economic Promotion Institutions

1. Ministry of Foreign Affairs - MRE: Executive Office for Economic Promotion -DPE (Ministerio de Relaciones Exteriores -MRE) (Dirección General de Promoción Económica -DPE)

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

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

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

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

Services Offered by the DPE

- a. **Trade Promotion Services - PCO** (Servicios de Promoción del Comercio - PCO)
 - ▶ Dissemination of business opportunities
 - ▶ Dissemination of the export offer
 - ▶ Support in the solution of trade problems between companies
 - ▶ Identification of business opportunities
 - ▶ Support to trade missions and their participation in fairs abroad
 - ▶ Support to exporters in the resolution of trade impasses
 - ▶ Organization of trade events

b. Investment Promotion Services - PIN

(Servicios de Promoción de las Inversiones - PIN)

- ▶ Participation in the negotiation of Foreign Investment Promotion Agreements
- ▶ Dissemination of investment opportunities (federal, regional and municipal governments)
- ▶ Coordination of international events for investment promotion (road shows, videoconferences, fairs, and seminars)
- ▶ Preparation and coordination of an agenda for foreign business missions
- ▶ Dissemination of specialized information on foreign investment
- ▶ Support in the identification of investment possibilities and strategic alliances
- ▶ Dissemination of tenders and international bidding processes called by public and private Peruvian entities

c. Tourism Promotion Services - PTU

(Servicios de Promoción del Turismo - PTU)

- ▶ Dissemination of tourism offer
- ▶ Support for culinary events
- ▶ Dissemination of tourism materials
- ▶ Support for tourism promotion fairs abroad
- ▶ Support for agendas involved in the promotion of tourism
- ▶ Promotion and negotiation of tourism agreements
- ▶ Dissemination of tourism information obtained by our missions

Contacts

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- Website: www.rree.gob.pe

2. Ministry of Foreign Trade and Tourism - MINCETUR and PROMPERÚ (Ministerio de Comercio Exterior y Turismo - MINCETUR)

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

Contacts

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Minister
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 - Website: www.mincetur.gob.pe

Peruvian Exports and Tourism Promotion Board - PROMPERÚ (Comisión de Promoción del Perú para la Exportación y el Turismo - PROMPERÚ)

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

investment. It is also in charge of promoting Peruvian exports.

Objectives and guidelines

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

Contacts

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Executive President
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 - Exports and Tourism Office: Av. Jorge Basadre 610, San Isidro - Lima, Peru
 - Phone: +51 1 616 7300
 - +51 1 616 7400 (Secretariat)
 - +51 1 616 7300
 - +51 1 616 7400 (Exports and Tourism Office)
 - E-mail: webmaster@promperu.gob.pe
 - Website: www.promperu.gob.pe

Peru Brand (Marca Perú)

The primary objective of the Peru brand is to endorse the country's image, building and protecting its international reputation. It thus seeks to become the seal that accompanies everything originating in Peru and which represents the country beyond its borders. It focuses on three main areas of promotion:

► Tourism

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

► Exports

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

► Investment

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

3.

Agency For The Promotion of Private Investment (ProInversión)

(Agencia para la Promoción de la Inversión Privada - ProInversión)

ProInversión is a public entity attached to the Ministry of Economy and Finance (MEF) and is in charge of executing the national policy for promoting private investment.

Its mission is to promote investment via agents in the private sector, in order to boost Peru's competitiveness and sustainable development and thus improve the wellbeing of the population.

ProInversión provides information to potential investors regarding the incorporation of a business in Peru, identifying investment opportunities by sectors, learning about the processes of Public-Private Partnerships (PPPs), among other actions.

ProInversión offers its services for investments in Peru free of charge, in three stages:

a. Pre-Incorporation

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

b. Incorporation

- Guidance on obtaining municipal permits and licenses for the establishment of an industrial or commercial business
- Contact and accompaniment to the regions and potential production zones
- Advisory services on migratory processes for the entry and residence of business people

c. Post-Incorporation

- ▶ Establishment of a network of contacts with public and private companies
- ▶ Guidance for the expansion of the business
- ▶ Identification of administrative barriers

Contacts

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Executive Director

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- Website: www.proinversion.gob.pe

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- Piura: Los Palmitos Mz. Ñ Lote 13, Urb. Santa María del Pinar, Piura
- Phone: +51 73 309 148
- Fax: +51 73 310 081

4.

Association for the Promotion of National Infrastructure - AFIN (Asociación para el Fomento de la Infraestructura Nacional - AFIN)

AFIN is an association of Peruvian companies that have signed a concession agreement with the government in order to build, operate and maintain public infrastructure projects in sectors such as energy, transportation, telecommunications, healthcare, sanitation, etc. It also includes other kind of associates who are involved in infrastructure projects such as accounting firms (EY is an associate of AFIN), law firms, among others.

Objectives and Guidelines

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

Contacts

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President

▶ Juan Pacheco Román

General Manager

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- E-mail: comunicaciones@afin.org.pe
- Website: www.afin.org.pe

5. Peruvian Chamber of Construction - CAPECO (Cámara Peruana de la Construcción - CAPECO)

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

Contact

► **Jorge Zapata Ríos**
President

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- Website: www.capeco.org

6. Lima Chamber of Commerce - CCL (Cámara de Comercio de Lima - CCL)

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

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

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

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

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

Contacts

- ▶ **Rosa Bueno de Lercari**
President

 - ▶ **José Rosas Bernedo**
General Manager

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Construction & Engineering President
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7. Peruvian Foreign Trade Association - COMEXPERU (Sociedad de Comercio Exterior del Perú - COMEXPERU)

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

Objectives and Guidelines

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

Contact

- ▶ **Julia Torreblanca Marmanillo**
President
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- Website: www.comexperu.org.pe

8. National Confederation of Private Business Institutions - CONFIEP (Confederación Nacional de Instituciones Empresariales Privadas - CONFIEP)

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

Objectives and Guidelines

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

Contact

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- Website: www.confiep.org.pe

9.

Association of Capital Market Business Promoters - PROCAPITALES (Asociación de Empresas Promotoras del Mercado de Capitales - PROCAPITALES)

The Association of Capital Market Business Promoters (PROCAPITALES) brings together the principal actors in the market, channeling their concerns and proposals. It acts as a business guild to focus fundamentally on promoting investment and capital markets.

It speaks on behalf of its associates to the public sectors with proposals to reduce legal costs and bureaucratic barriers that hinder easy market access. The institution's principal objective is to encourage an efficient legal framework and appropriate corporate governance practices.

Objectives and Guidelines

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

Contact

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President

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- Website: www.procapitales.org

10.

inPERU (Exporting Peru to the World)

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

It also has the support of the Peruvian State through the Ministry of Economy and Finance (MEF), the Ministry of Foreign Trade and Tourism (MINCETUR), the Ministry of Foreign Affairs (MRE), the Central Reserve Bank of Peru (BCRP), the Superintendency of Banking, Insurance and Private Pension Fund Management Companies (SBS), the Superintendency of the Stock Market (SMV), ProInversión and PromPeru.

11. **National Association of Industries – SNI** **(Sociedad Nacional de Industrias – SNI)**

The National Association of Industries (SNI) is the institution that groups together Peru's private industrial companies. It is a not-for-profit legal entity governed by private law.

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

Contact

► **Ricardo Márquez Flores**
President

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12. **Peruvian Association of Exporters -** **ADEX** **(Asociación Peruana de Exportadores -** **ADEX)**

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

Contact

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13. **National Society of Mining, Oil and** **Energy – SNMPE** **(Sociedad Nacional de Minería, Petróleo y** **Energía – SNMPE)**

Contact

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14.

Peruvian Association of Port Operators
(Asociación Peruana de Operadores Portuarios)

Contact

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15.

Real Estate Developers Association - ADI PERU
(Asociación de Desarrolladores Inmobiliarios - ADI PERU)

Contact

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16.

Peruvian Automotive Association - AAP
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17.

Peruvian Banking Association - ASBANC
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Our Services

EY has a global focus on infrastructure, with global professionals including engineers, project process specialists, economists, legal, tax, and regulatory experts in more than 140 countries. Our global team is closely networked and shares industry and technical knowledge to provide our clients with a seamless global service. Some of our specialist infrastructure-based services include:

Project Finance Advisory Services

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

Infrastructure Lead Advisory Services

Advising sell-side or buy-side clients in privatizations, concessions and PPP deals. Our teams have the capabilities to assist in the preparation of tender offers and unsolicited proposals, analysis of project risks and mitigation mechanisms, review of tender documents and contracts and legal, financial and taxation advice in dispute resolution. Fundraising for projects if clients are awarded the transaction is also part of our comprehensive services.

Mergers & Acquisitions Advisory Services

Mergers and acquisitions, at either the holding company or asset level, require specific knowledge and skills in order to complete transactions. The knowledge and skills required relate to the regulatory environment, including the rules and regulations of each country's stock exchange, accounting, legal, structuring and taxation disciplines in addition to an understanding of transaction value-drivers.

Transactions Advisory Services

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

Valuation, Business Modeling & Economics (VME)

Providing a range of services to companies in the infrastructure sector including valuations for purchase price, allocation/acquisition, accounting, tax planning, finance and capital markets purposes, and has specialists with extensive skills ranging from valuations of businesses and intangible assets to specialized industry knowledge. Further VME has deep expertise in reviewing models for financing purposes and is also able to construct or review cash flow models as part of an acquisition strategy.

Transaction Integration

Providing commercial and operational due diligence, integration planning and methodology development, synergy assessment, and integration program management; corporate strategy advice on market opportunities and areas to exploit along the value chain, as well as practical operational advice in areas such as overhead and capital expenditure cost reduction, process efficiency, supply chain and procurement, and in functional areas such as finance and human resources.

Tax Advisory Services

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

VAT Early Recovery

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

Legal Services

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

Customs

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

For more information about our services visit our website www.ey.com/pe



EY Thought Leadership

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EY CEO Survey 2022

https://www.ey.com/en_gl/ceo/will-bold-strategies-fuel-market-leading-growth

The pandemic has been a wake-up call for many CEOs, and the transformation imperative is now clearer than ever. Many are actively reconfiguring their companies for resilience and investing boldly for optimal growth - with M&A still high on the boardroom agenda. But CEOs unable to take bold steps could face stern tests down the line, particularly as intensifying headwinds pose challenges in the race to capture emerging opportunities. The need to act now is too strong. CEOs who stand still will fall behind in the race for market-leading growth.



Peru's Business and Investment Guide 2022

https://www.ey.com/es_pe/entrepreneurship/peru-business-investment-guide

This Business and Investment Guide is a tool for foreign and national investors, providing key information on the country's current economic situation and the principal tax, legal, and labor issues, as well as on how to incorporate businesses in Peru, and general information on how to invest and do business in the country. It also contains a complete directory of Peruvian embassies and consulates abroad, as well as contacts of interest to investors.



Peru's Mining & Metals Investment Guide

https://www.ey.com/es_pe/mining-metals/mining-metals-investment-guide

Peru is a global leader in the mining industry and one of the fastest growing economies in Latin America. It has rich deposits of copper, gold, silver, lead, zinc, natural gas and petroleum. "Peru's mining and metals investment guide" offers key information about Peru's mining industry to assist investors in their decision making progress regarding the exploration and development of new projects.



FinTech Business Guide

https://www.ey.com/es_pe/law/fintech-business-guide

This guide represents an effort by EY Law and the Ministry of Foreign Affairs (MRE) to show the progress made and opportunities provided by the FinTech industry in Peru and Latin America in recent years, the local and regional overview, the latest trends, the regulatory environment of the FinTech ecosystem, as well as other promising industry data.



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Statement

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