

# Peru : Investment Destiny



# Peru: Strategic Situation



- **Geographic location:** At the center of South America, in the eastern Pacific Ocean, bordering Ecuador, Colombia, Brazil, Bolivia and Chile
- **Area:** 1 285 215.60km<sup>2</sup> (third largest country in South America).
- **Population:** 28 million people.
- **3 natural regions:** coast, mountains and jungle.
- **Capital:** Lima (7,1 million people).

# ¿Why invest in Peru?

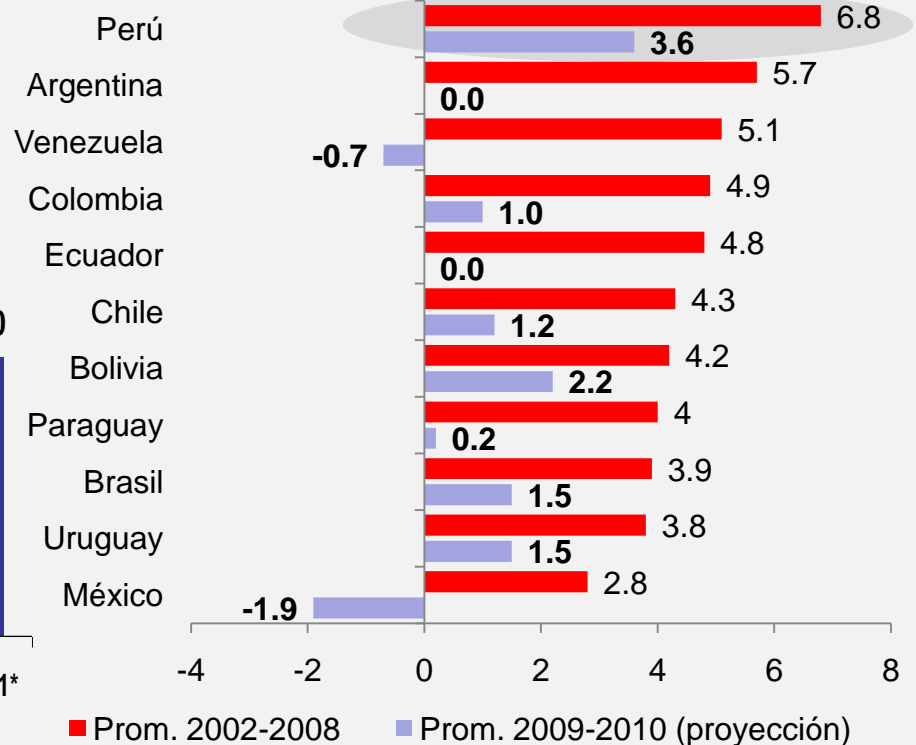
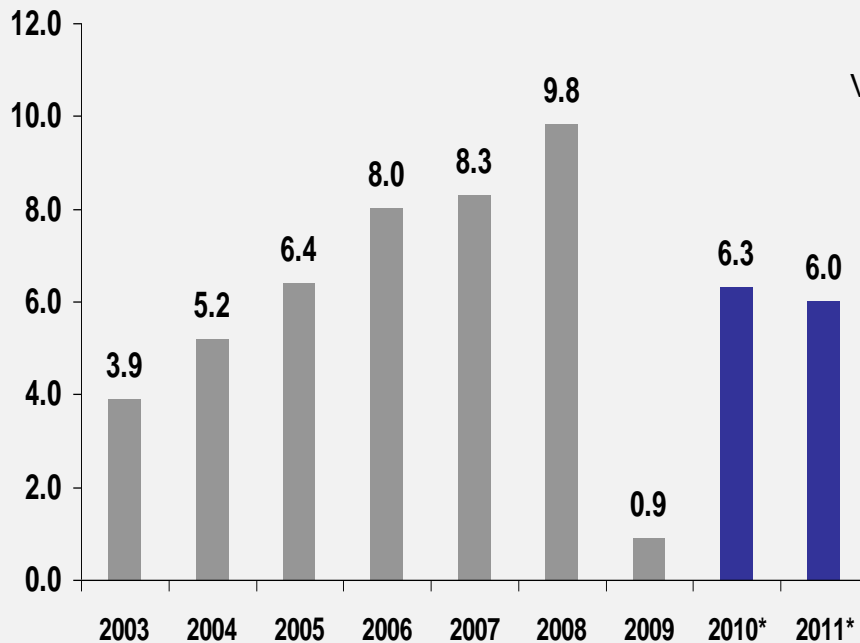
1. Macro economic stability – International recognition.
2. Favorable investment climate – Predictable rules of game.
3. Access to markets – Commercial integration policy.
4. Projects in Proinversion's portfolio – investment opportunity.



# 1. Macro economic stability

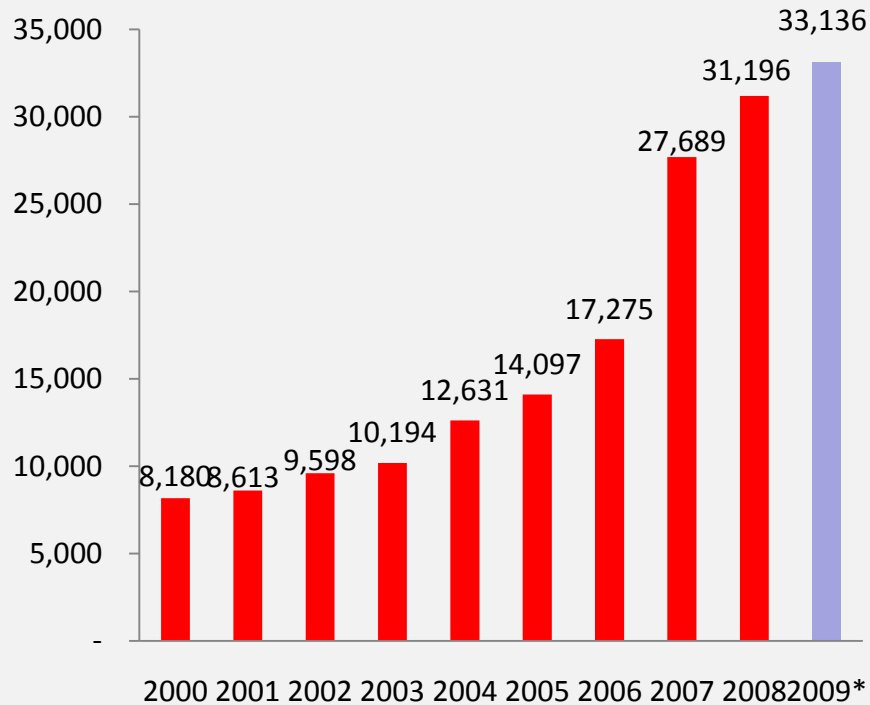
Peru will continue to lead regional growth.

Gross Domestic Product  
(Annual % rate)



# 1. Macro economic stability

## Net Foreign Reserves (US\$ Million)



Source : Central Reserve Bank of Peru

\* Figures to December 2009

## Investment grade

### A Latin American comparison

País	S&P	Fitch	Moody's
Chile	A+	A	Aa3
México	BBB	BBB	Baa1
Perú	BBB-	BBB-	Baa3
Brasil	BBB-	BBB-	Baa3
Colombia	BB+	BB+	Ba1
Venezuela	BB-	B+	B2
Argentina	B-	B	B3
Bolivia	B	B	B2
Ecuador	CCC+	CCC	Caa3

To July 2010

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

# 2. Favorable investment climate

## Peru offers a favorable legal framework for foreign investment ...

- Non discriminatory treatment. Peru offers to foreign investor the same treatment as local investors.
- Unrestrictive access to most economic sectors.

Investments that requires authorization: Located within 50 km in the border line and arms, munitions and explosive. Furthermore, a principal local partner for investment in radio and television as well as in air transport.

- Free transfer of capital.
- Free competition.
- Guarantee for Private Property
- Freedom to purchase stocks from locals.
- Freedom to access internal and external credit.
- Freedom to pay royalties.
- Network of investments agreements and member of ICSID and MIGA
- Peru is adherent of the OECD Declaration on International Investment and Multinational Enterprises.

**Legal Framework:** Constitutional provisions, “Law for the Promotion of Foreign Investment”, Legislative Decree N° 662, “Framework Law for Private Investment Growth”, Legislative Decree N° 757, “Law for the Promotion of Private Investment in Infrastructure and Public Service Works”, Approved by Supreme Decree N° 059-96-PCM

## 2. Favorable investment climate

- Peru has signed 32 International Investment Agreements, that underpin its liberalization policy.



- It has also signed double taxation agreements with Brazil, Chile and Canada.

# 2. Favorable Investment Climate

## Recognition of a Favorable Investment climate

### World Economic Forum

Peru is first in the region for government readiness for private investment in infrastructure

Peru tops a global macroprudential indicator ranking

Position	Country	Points
1	Peru	5.8
2	Colombia	5.6
3	Chile	5.5
4	Uruguay	4.8
5	El Salvador	4.6
6	Bolivia	4.5
7	Brazil	4.2
	Dominic. Rep.	
8	Rep.	4.2
9	Mexico	4.1
10	Guatemala	4.0
11	Venezuela	3.2
12	Argentina	3.1

Source: World Economic Forum, Benchmarking National Attractiveness for Private Investment in LA Infrastructure. 2007

Position	Country	Points
1	Peru	6.53
6	China	5.82
8	Switzerland	5.70
9	France	5.49
10	Netherlands	5.48
11	Mexico	5.43
17	Argentina	5.30
35	Brazil	4.78
39	Chile	4.66
41	Colombia	5.51
51	Venezuela	3.18

Source: World Economic Forum, The Financial Development Report 2009.

### Getulio Vargas Foundation

Peru ranks first in the ranking of business climate in Latin America

Position	Country	ICE*
1	Peru	5.0
2	Brazil	4.6
3	Chile	4.3
4	Paraguay	3.9
5	México	3.7
6	Uruguay	3.3
7	Colombia	3.2
8	Ecuador	2.6
9	Bolivia	2.4
10	Argentina	2.0
11	Venezuela	1.6

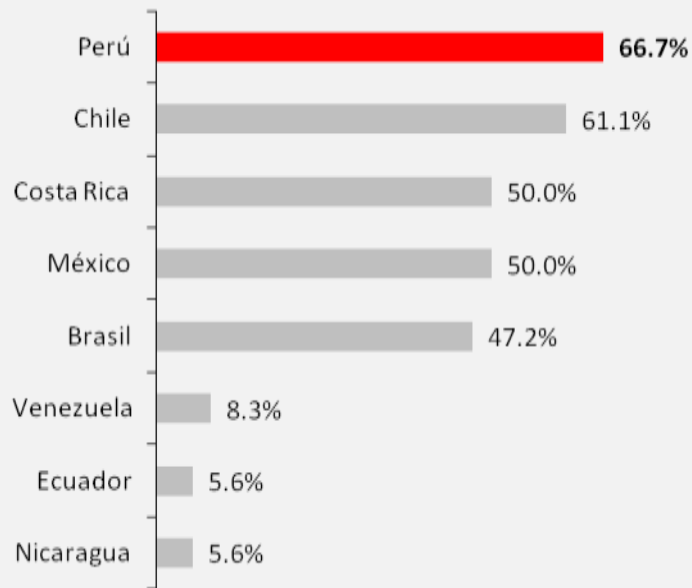
\*Economic climate index  
Source: Foundation of Getulio Vargas de Brasil 2009.

# 2. Favorable Investment Climate

## Recognition of a Favorable Investment climate

### The Economist

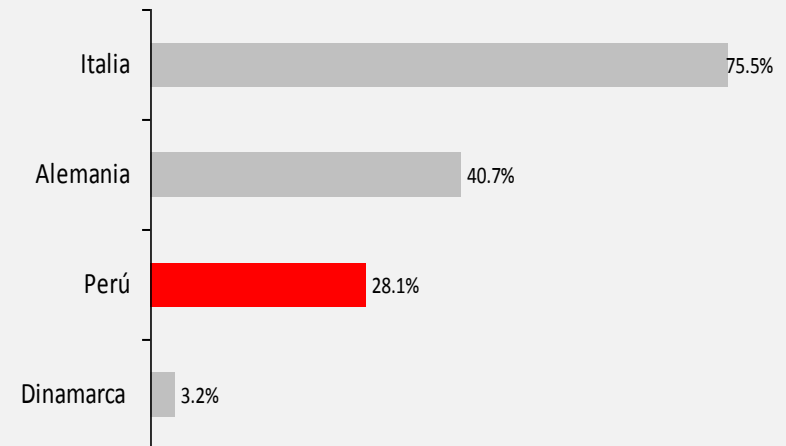
Peru ranks first in the region for best legal and regulatory framework



Source: The Economist 2009.

### United Nations Conference on Trade and Development.

In 2009, Peru was third in FDI growth.



Source: UNCTAD 2009.

## 2. Favorable investment climate

Peru has a legal system that guarantees stability of the law and basic regulation:

### Legal Stability Agreements

The State recognizes:

#### TO THE INVESTOR

- Stability to the right of not being discriminated.
- Stability of the income tax regime.
- Stability of the right to use the more favorable exchange rate available in the market.
- Stability of the regime of free disposition of dividends and the right to deliver utilities, dividends and royalties.

#### TO THE RECEPTIVE ENTERPRISE

- Stability of the regime of laboral hiring.
- Stability of the regime of exports promotion.
- Stability of the regime of the income tax.

Requirement: Invest US\$ 5 MM minimum and US\$ 10 MM in the case of mining and hydrocarbon.

Validity: 10 years. In concessions, period depends on the duration of the contract (Max. 60 years).

## 2. Favorable investment climate

Regime of stable taxes.

Principal taxes

	<b>Tax to:</b>	<b>Tax applicable</b>
<b>INCOMES</b>	Corporative Utilities	<b>30%</b>
		<b>Agriculture, agro industry and aquiculture 15%</b>
	Dividends	<b>4.10%</b>
	Royalties	<b>30%</b>
	Interest for loans given abroad	<b>4.99%</b>
<b>Value Added Tax (VAT)</b>		<b>19%</b>
<b>To financial transactions</b>		<b>0.05% during 2010</b>
<b>Provisional to the actives that exceed S/. 1 000 000</b>		<b>0.40%</b>

## 2. Favorable investment climate

Special regime of anticipated recovery of the value added tax

### Benefits:

- Recovery of the Value Added Tax during the pre productive stage of the project (minimum 2 years).
- Applicable to all sectors of the economic activity.
- Minimal investment required to access to this benefit: US\$ 5 millions (agricultural activities do not require a minimal investment amount).
- The project can be divided in stages, stretches or similar.



# 3. Access to markets



These countries represent a great market of more than 4 thousand million people with a GDP that surpasses US\$ 56 billion . They also represent 95% of Peruvian exports to the world and import more than US\$ 12 billion from the world.

# 4. Projects in Proinversion's portfolio

## Portfolio Projects

50 Projects

Sector	Estimated Investment (US\$ Million)
Energy	2,295.0*
Telecommunications	371.5
Ports	460.9*
Tourism	10.6*
Mining	30.0
Agriculture	609.0
Sanitation	145.0
Land Transport	71.0
Real State	43.0**
Airports	237.0*
<b>TOTAL</b>	<b>4,273.00</b>

\*\* Minimum Amount Estimated Investment for 2010

\*\*Base Price. Auction

## Prioritized Projects

21 Projects

Sector	Estimated Investment (US\$ Million) Including VAT
Energy	720.0
Ports	210.6*
Real State	43.0*
Agriculture	609.0
Sanitation	145.0
Land Transport	71.*0
Airports	237.0
<b>TOTAL</b>	<b>2,035.6</b>

## 4. Projects in Proinversión's portfolio

Sector / Prioritized Projects	Estimated Investment (US\$ Million) Including VAT	Foresees Award (dd.mm.yyyy)
<b>Energy</b>		
Transmission Line Tintaya - Socabaya en 220 Kv and associated sub stations.	80	08.07.2010
Strengthening of the North system with a second transmission circuit 220 Kv ,among Talara and Piura.	16	08.07.2010
Cold Reserve (800 MW, 3 dual thermal plants with simple cycle)	400	III Q 2010
Transmission Line Trujillo – Chiclayo in 500 kv and associated sub stations	To be determined	IV Q 2010
<b>Ports</b>		
Pucallpa Port Terminal.	16.7	IV Q 2010
Yurimaguas Port Terminal .	38.9	III Q 2010
San Juan de Marcona Port Terminal	149	IV Q 2010
Multipurpose Northern Terminal of Callao	To be determined	
Navigable river routes, first stage: Yurimaguas-Iquitos river routes	To be determined	IV Q 2010
<b>Tourism</b>		
San Lorenzo Island	750	IV Q 2010
<b>Real Estate</b>		
Cuartel San Martín headquarters (a)	37 (base price)	22.07.2010 (public auction)
<b>Penitentiary Facilities</b>		
Penitentiary Facilities concession project	29	IV Q 2010
<b>Agriculture</b>		
Majes - Siguas II	405	IV Q 2010
Chavimochic Project Phase I - Third Stage	265	IV Q 2010

# 4. Projects in Proinversión's portfolio

Sector / Prioritized Projects	Estimated Investment (US\$ Million) Including VAT	Foresees Award
<b>Sanitation</b>		
Residual water treatment plant "La Chira"	145	III Q 2010
<b>Land Transport</b>		
Road IIRSA Centro: section 2	75	III Q 2010
Autopista del Sol Highway: Sullana section – Border with Ecuador	To be determined	IV Q 2010
Panamericana Sur Highway: Ica – Border with Chile.	To be determined	IV Q 2010
Lima and Callao Mass Transportation Electric system Line 1: Villa El Salvador – Av. Grau – San Juan de Lurigancho	To be determined	III Q 2010
Huancayo – Huancavelica Train	11	III Q 2010
Cajamarca – Bayovar Train	To be determined	IV Q 2010
<b>Airports</b>		
International Airport of Chinchero - Cusco	To be determined	IV Q 2010
Second Group of Regional Airports	266	III Q 2010

(\*) Source: ProInversión



**More information at:**  
[www.proinversion.gob.pe](http://www.proinversion.gob.pe)  
[www.promperu.gob.pe](http://www.promperu.gob.pe)  
[www.rree.gob.pe](http://www.rree.gob.pe)

**Thank you**