

## Peru: an attractive destination for investments in infrastructure

### 秘鲁：吸引基础设施投资的目的地

**After more than ten years of an average economic growth of 6.4%, Peru faces the challenge of improving its infrastructure in order to maintain growth, competitiveness and achieve its full economic potential. This article describes the infrastructure projects that the government of Peru is committed to carry out in the next few years to ensure that the country offers significant investment opportunities in the future.**

经过十年的平均 6.4% 的经济增长率，秘鲁以保持其增长、竞争力以及充分发挥的经济潜力，面临改善基础设施的挑战。本文介绍了秘鲁政府致力于在未来数年进行的基础设施项目，以确保在可预见的未来该国提供了显著的投资机会。

Peru's fast-growing economy by an average of 6.4% per year since 2002 has been one of Latin America's best performers in the last decade. With a stable to slightly appreciating exchange rate and very low inflation, the Peruvian economy completed 10 years of continuous growth with rates above the average in the region.

Economic growth in 2010 was close to 9% and almost 7% in 2011, fuelled mainly by private investment in extractive and productive sectors, as well as by internal consumption. This stellar economic performance is the result of its varied geography and diversified natural resources, which includes excellent fishing grounds, fertile agricultural valleys, and a wide array of mineral resources.

However, Peru has tough infrastructure challenges and in order to achieve its full potential the country needs great investment in roads, ports, airports, and energy, among others. The Peruvian government is already strategically focused on improving its infrastructure to maintain its economic growth and competitiveness. The chart below shows the existing gap between the infrastructure needs and the rates of investments which provides an idea of the number of investment opportunities that will flourish in Peru in the years ahead.

**Peru: Infrastructure Investment Gap<sup>1</sup>**  
(in US Million dollars and in percentage of the total)

Sector	Gap 2008	%
<b>Transport</b>	<b>13,961</b>	<b>37.0</b>
Airports	571	
Ports	3,600	
Railroad	2,415	
Roads	7,375	
<b>Sewerage</b>	<b>6,306</b>	<b>16.7</b>
Drinking water	2,667	
Sewage	2,101	
Waste water treatment	1,538	
<b>Electricity</b>	<b>8,326</b>	<b>22.0</b>
Generation	5,183	
Transmission	1,072	
Coverage	2,071	
<b>Natural Gas</b>	<b>3,721</b>	<b>9.9</b>
<b>Telecommunications</b>	<b>5,446</b>	<b>14.4</b>
Landlines	1,344	
Mobile phones	4,102	
<b>Total</b>	<b>37,760</b>	<b>100</b>

**How to invest in Peru?. Public - Private Partnerships and Private Initiatives**

Attempting to adapt to global economic requirements and preserving the general principles of private investment, Peru continues to enhance the legal regime applicable to investments based on the experience of successful processes of privatization and concessions.

In 2008, the government enacted Legislative Decree 1012, which regulates the regime of Public Private Partnerships (PPP) and Unsolicited Proposals, which are formalized through concessions. This statute expanded the mechanisms to achieve participation of private investors in sectors of the economy promoted by the government.

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<sup>1</sup> Difference between existing and needed investments (Source: Peruvian Economy Institute).

Unsolicited Proposals or “Private Initiatives” (PI) are a central institution within this framework. Through them, investors can identify investment projects in infrastructure and other sectors of social interest typically developed by the government and request a special authorization to operate them. In recent years, the most important investment projects in the country were a result of Private Initiatives developed by private investors.

An aspect to bear in mind is the minimum requirements set forth by government entities for investors interested in developing projects under these mechanisms. These requirements can vary according to the nature of the project. Generally, requirements are related to technical capability (proven experience in infrastructure projects) and financial capacity (minimum capital requirements) of investors.

Once the investor has been awarded the concession and is able to develop the project, the investor must comply with the regulatory requirements for completion and operation - among other, environmental impact assessments, native communities’ approvals, certificates of no-archaeological remains, licenses and several municipal authorizations.

Peru ranks third among Latin American and Caribbean countries with the greatest capacity to implement sustainable Public-Private Partnerships, which allow the development of infrastructure projects and increase access to basic services in the country<sup>2</sup>.

### **Investment Opportunities in Infrastructure**

Since 1990, Peru has established a regulatory framework for infrastructure and public service concessions to promote private investments. The Private Investment Promotion Agency (Proinversión) is the agency engaged in the promotion of business opportunities with high growth and return rates in the country. These are the Proinversión portfolio projects for 2013:

- Road Concessions

Concessions for building roads by sections established by the Ministry of Transport and Communication. Most of those sections will be part of the Longitudinal de la Sierra, Longitudinal de la Selva and other important roads.

*Modality: Co-financed*

*Status of process: To be called*

*Planned Award Date: As from 2013*

- Lima and Callao Electric Mass Transportation System - Line 2

Concession to design, finance, build, operate, maintain, and provide electromechanical equipment and rolling material for section Ate-Callao of the electric mass transportation system, a project which crosses 12 districts of Metropolitan Lima with an extension of 335 km.

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<sup>2</sup> According to Infrascopes - MIF, which is an interactive index and learning tool developed by the Multilateral Investment Fund (MIF) and the Economist Intelligence Unit (EIU), which evaluates the readiness and capacity of 19 countries in Latin America and the Caribbean to implement Public-Private Partnership.

*Modality: Co-financed*  
*Status of process: To be called*  
*Planned Award Date: IV Quarter 2013*

- Energy supply to the city of Iquitos 70 MW

Concession of the supply of power and energy to the national grid, which includes the design, financing, construction, operation and maintenance of new thermoelectric power stations to be placed in Iquitos (70 MW).

*Modality: Self - sustained*  
*Status of process: Called for tender. Open short-listing term.*  
*Planned Award Date: I Quarter 2013*

- Molloco Hydroelectric Power Station

The project comprises the design, construction, finance, operation and maintenance of a hydroelectric power station (300 MW).

*Modality: Self - sustained*  
*Status of process: Called for tender. Open short-listing term.*  
*Planned Award Date: IV Quarter 2013*

- Mass use of natural gas nationwide

Concession to design, finance, build, operate and maintain a distribution system of natural gas that comprises: land or sea transport of liquid or compressed natural gas from the gas liquefaction plant to the city gate, re gasification at the city gate and supply of natural gas to final users through pipelines.

*Modality: Self - sustained*  
*Status of process: Called for tender. Open short-listing term.*  
*Planned Award Date: I Quarter 2013*

- National optical fibre backbone network

The goal of the project is to expand a broadband in Peru through the installation of optical fiber in the capital of 173 provinces of the country.

*Modality: Self - sustained*  
*Status of process: To be called*  
*Planned Award Date: IV Quarter 2013*

- General San Martín Port Terminal

Concession to design, finance, build, operate and maintain the General San Martin port terminal.

*Modality: Self - sustained*  
*Status of process: Called for tender. Open short-listing term.*  
*Planned Award Date: III Quarter 2013*

- Chavimochic irrigation project

Involves the increase of Chavimochic project in order to include 53,000 ha of new land and the improvement of the irrigation system of other 48,000 ha.

*Modality: Co-financed*

*Status of process: To be called*

*Planned Award Date: III Quarter 2013*

- Sanitation services for the southern districts of Lima

The project involves the design, finance, construction and operation of the following systems: desalination of sea water, water storage and distribution of drinkable water, sewerage, and the treatment and final disposal of treated wasted water.

*Modality: Co-financed*

*Status of process: To be called*

*Planned Award Date: IV Quarter 2013*

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