

The background of the slide is a photograph of a construction site at sunset. The sky is a mix of orange, yellow, and blue. In the foreground, the silhouettes of construction workers wearing hard hats are visible. In the background, there are several cranes and the skeletal structure of a building under construction. A large yellow rectangular box is overlaid on the left side of the image, containing the text.

Infrastructure Investment in Peru Roadshow

Turkey, Italy, Germany, France

October 2020


The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal bar is positioned behind the 'Y'.

Building a better
working world

Legal framework



Juan José Cárdenas
EY Law Projects and
Infrastructure Leader

 /juanjocardenas

Conditions for Private Investment Promotion

1 Non discriminatory and equal treatment between national and foreign companies

2 Free capital transfer

3 Right to free competition

4 Guarantee to private property

5 Right to acquire shares of national companies

6 Right to have access to internal and external financing

7 Right to transfer royalties and profits

8 Right to carry out operations in both national and international currencies, without exchange controls





Public - Private Partnerships

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.

ADVANTAGES OF THE PPPs

- ▶ The risk allocation is made considering the party who is in the best position to manage with the risk.
- ▶ The private sector will implement its experiences in the provision of public services in favor of citizens.
- ▶ By integrating the operation and maintenance of the infrastructure through a long-term contract, the private sector will have adequate incentives to design and build efficiently.
- ▶ Public infrastructure can be provided without spending government resources (in the case of the self-financed PPPs) or -in the case of co-financed PPPs- the payment to the private sector for the construction will be made in a long term because the private sector will finance the project.

Public - Private Partnerships

TYPES OF THE PPPS

- ▶ The PPPs may be self-financed or co-financed.
- ▶ Self-financed: A PPP project with its own income-generating capacity that does not require co-financing.
- ▶ Co-financed: A PPP project that requires co-financing or the granting or contracting of financial guarantees or non-financial guarantees that have a significant probability of requiring co-financing, 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 cost 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.	The referred probability exceeds the limit of 10% for any of the first 5 years of project guarantee period.

Besides, the PPPs can be classified considering its inception in government initiative and private initiative (unsolicited proposal).

Government initiative: The Peruvian Government (through of one of its levels) identifies the opportunity and/or project. These initiatives are created when the project is included in the PPP Multi-Annual Investment Report.

Private initiative (unsolicited proposal): The private sector identifies the opportunities and/or projects.

Works for Taxes



Government to Government Agreements (G2G)

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

One of the most important benefits of G2G is the transfer of knowledge and training to our public officers in the management of this type of projects, which is not limited to the bidding itself but, perhaps more importantly, to the collaborative and innovative approach in the relationship with private contractors in the execution of the works

The G2G Agreements use to use the New Engineering Contracts - NEC. The NEC are a very flexible standard contracts created by UK Institution of Civil Engineers (ICE) in England, similar to other standard contracts such as FIDIC, ICC, AIA, among others. The NEC3 promotes the delivery of projects (i) on time; (ii) on budget; and, (iii) to the highest standards.



Infrastructure promotion through G2Gs



Lima 2019 Pan American and Parapan American Games

- ▶ Pan American Village
- ▶ National Sports Village
- ▶ Villa Maria del Triunfo Sports Complex
- ▶ Yahuar Huaca Sports Complex
- ▶ Gymnastics Sports Center

Agreement: 2017
USD 560 millions

Reconstruction whit changes

- ▶ 15 hospitals and 74 schools (east coast and highlands)
- ▶ Integral solution for 17 rivers, 5 dams and a drainage system in 7 cities (north coast)

Agreement: 2020
USD 2040 millions



Hospitals of the Ministry of Public Health of Peru

- ▶ Completion of construction work at Antonio Lorena Hospital (Cusco)
- ▶ Improvement and expansion of the Sergio Bernales Hospital (Lima)

Agreement: 2020
USD 290 millions



Chincheru International Airport

- ▶ Chincheru International Airport (Cusco)

Agreement: 2019
USD 500 millions

Pipeline of the project

Project	Inversion
Line 3 and 4 of the Lima and Callao Subway	USD 8.501 MM
Improvement of the Carretera Central Highway (Section Puente Ricardo Palma - La Oroya	USD 419 MM
24 sanitation and drinking water projects	USD 1.417 MM
44 hospitals	USD 850MM
75 Schools	USD 850 MM

Source OSCE, Speech on Peruvian National Holidays - July 28, 2020

The approximate investment of the project pipeline is estimated at

**USD
12
billions**

Tax framework



Manuel Rivera

Tax Infrastructure Leader
EY Peru

 /manuelriverasilva

Main taxes in Peru

Which taxes
apply for
investing in
Peru?

Income Tax (IT) **29.5%** + **5%** = **33.025%**
Corporate rate Dividend rate Effective rate

Value Added Tax (VAT)

- ▶ Sale within the country of movable property
- ▶ Provision or use of services
- ▶ Construction contracts
- ▶ First sale of real estate by the builder
- ▶ Import of goods

▶ **18%**

Temporary Tax on Net Assets (TTNA)

- ▶ Net assets greater than S / 1'000,000 (approx. USD 303,000) determined as of 12/31 of the previous year.
- ▶ It can be used as a credit against IT.

▶ **0.4%**

Financial Transaction Tax (FTT)

Deposits and withdrawals through local bank accounts.

▶ **0.005%**

SENCICO

Contribution to the National Training Service for the Construction Industry.

▶ **0.2%**

Withholding taxes - WHT

Peruvian source Income	Rate
Dividends and other forms of profit distribution, as well as the remittance of profits from the branch	▶ 5%
Interest paid to non-domiciled companies, provided certain requirements are met	▶ 4.99%
Interest paid to related companies abroad	▶ 30%
Technical assistance services economically used in Peru	▶ 15%
Digital services economically used in Peru	▶ 30%
Royalties	▶ 30%
Capital gains deriving from the disposal of marketable/negotiable securities through the Lima Stock Exchange (BVL)	▶ 5%, unless the exemption provided for by Law 30341 is applicable
Capital gains deriving from the disposal of marketable/negotiable securities outside the Lima Stock Exchange (BVL), Indirect disposal of shares in Peruvian corporations	▶ 30%
Credit transfers via factoring or other transactions wherein the acquirer assumes the debtor's credit risk, when the transferor of the credit or debt assigned is a domiciled taxpayer.	▶ 30%
Other income deriving from business activities conducted in Peruvian territory	▶ 30%

Tax treaties to avoid double taxation signed by Peru

OECD Model



- ▶ The residence criterion prevails
- ▶ Reduced rates when some passive income is taxed under the source criterion, such as dividends, interest, royalties, among others.

UN Model



Multilateral Treaty



- ▶ The source criterion prevails.
- ▶ Passive income is only taxed in the country of source.
- ▶ Income is considered exempt in the country of residence.



Some tax benefits for investing in Peru

1

Tax stability agreements

Stability of the tax regime in force on the date of signing the agreement:

- ▶ To determine the corporate IT of the company receiving the investment.
- ▶ Dividend tax rate applicable to the investor based on their investment.

2

VAT early recovery

Legal entities developing projects currently in pre-operational stage (longer than 2 years) may request the early recovery of VAT before starting operations.

3

No restrictions for deductibility of interests (PPPs)

No application of thin capitalization rules (until 2020) nor EBITDA (starting 2021)

4

Foreign currency accounting

Under certain requirements companies may keep their accounting books in US dollars for tax purposes.

Infrastructure Investment in Peru Roadshow



Macroeconomic information



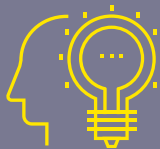
Business environment



Infrastructure potential



Legal, tax, labor, global trade and environmental issues



Miscellaneous matters

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WWW.PROINVERSION.GOB.PE

Peru's Infrastructure Project Portfolio

Oct 06, 2020



PROINVERSION and the PPP

PROINVERSION ROLE

- **Specialized technical body, attached to Ministry of Economy and Finance**, with technical, functional, administrative, economic and financial autonomy.
- PROINVERSIÓN promotes private investment through Public Private Partnerships (PPP), Asset Projects and Works for Taxes (OxI)
- Portfolio with traditional/productive infrastructure projects (transportation, electricity) and more recent emphasis on social infrastructure (education, health and sanitation)
- PROINVERSION is in charge of projects of national relevance that are assigned to it and those that are commissioned on behalf of the subnational governments.
- Currently, the PPP portfolio includes 64 projects, 22 in advanced stage and 18 in maturity.

¿WHY PPP?



Scheme through which the private sector introduces technology and innovation



Encourages shorter delivery times and within the agreed budget.



Setting budgetary certainty by establishing upfront commitments to whole-of-life costs of providing infrastructure services over time



A way of developing local private sector capabilities through joint ventures with large international firms, as well as sub-contracting



Diversifying the economy by making the country more competitive in terms of its facilitating infrastructure base as well as giving a boost to its business and industry



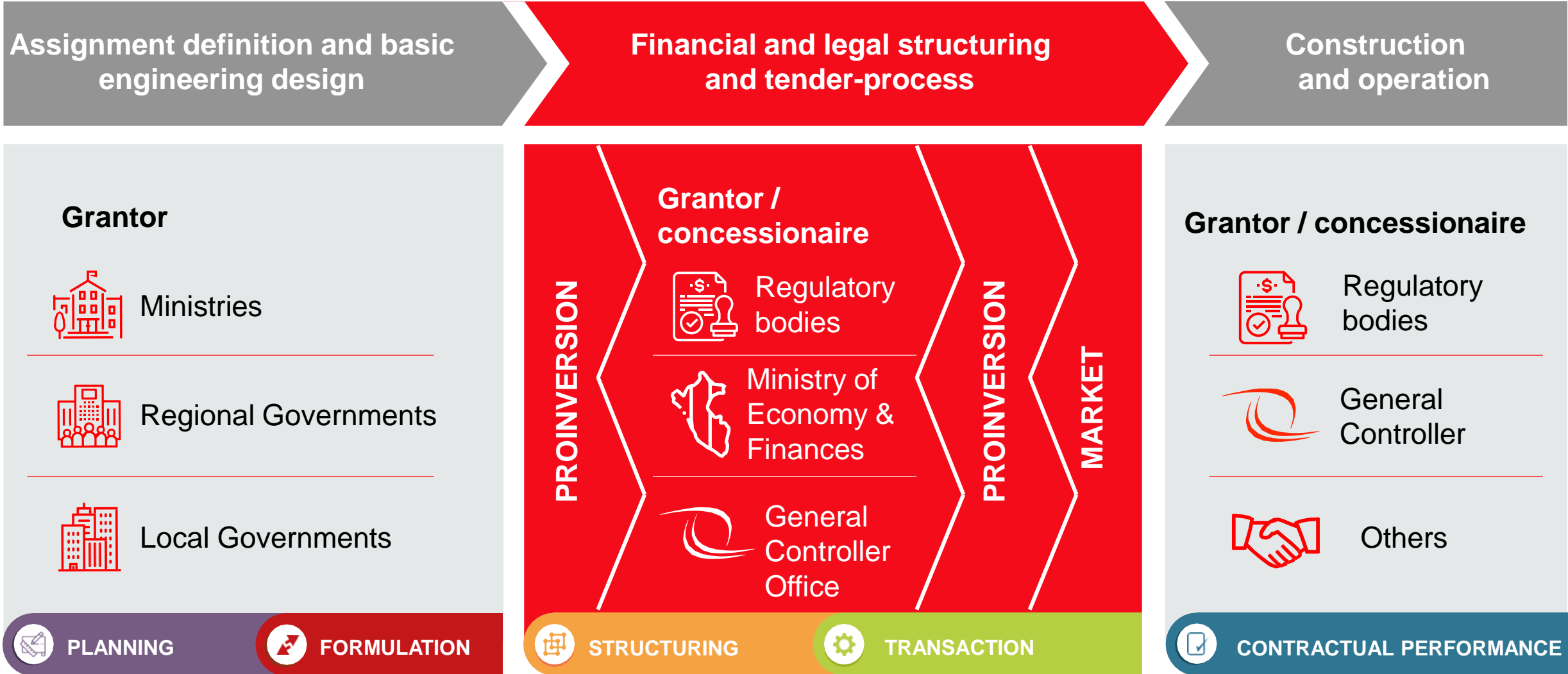
Enhances public sector capabilities to meet growing demand for infrastructure



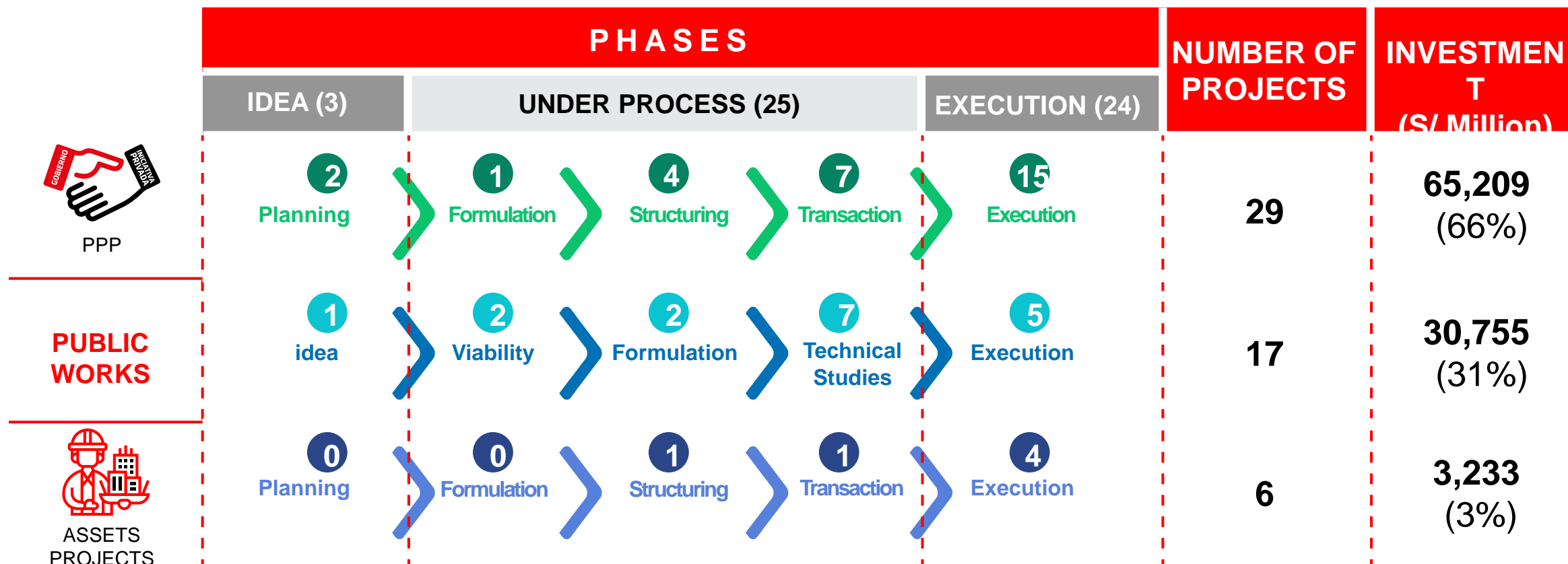
Enables higher value for money through risk transfer to the private sector

Source: World Bank (PPP Knowledge Lab)

PROINVERSION role in the PPP process



PPP for closing the infrastructure gap (NIPC*)



Source: NIPC (2019)

* NIPC - National Infrastructure Plan for Competitiveness

PROINVERSION's optimized portfolio

MATURING PROJECTS



18 projects worth USD 1,800 M

	<h3>HEALTH</h3> <ol style="list-style-type: none"> 1. GIRSE 2. New Central Military Hospital 3. Hipolito Unanue Hospital 		<h3>TRANSPORTATION</h3> <ol style="list-style-type: none"> 12. San Juan de Marcona Port Terminal 13. Longitudinal Sierra Highway Section 4*
	<h3>WATER & SANITATION</h3> <ol style="list-style-type: none"> 4. Trujillo WWTP 5. Cajamarca WWTP 6. Cañete WWTP 7. Cusco WWTP 8. Tarapoto WWTP 9. Chincha WWTP 10. Rural Sanitation Project in Loreto 11. Ilo Desalination Plant 		<h3>ENERGY</h3> <ol style="list-style-type: none"> 14. SITGAS* 15. ENOSA 16. Reque-Nueva Carhuaquero*
			<h3>TOURISM</h3> <ol style="list-style-type: none"> 17. Cerro San Cristobal 18. Choquequirao Tourism Services

MATURE PROJECTS

21 projects worth more than USD 5,600 M

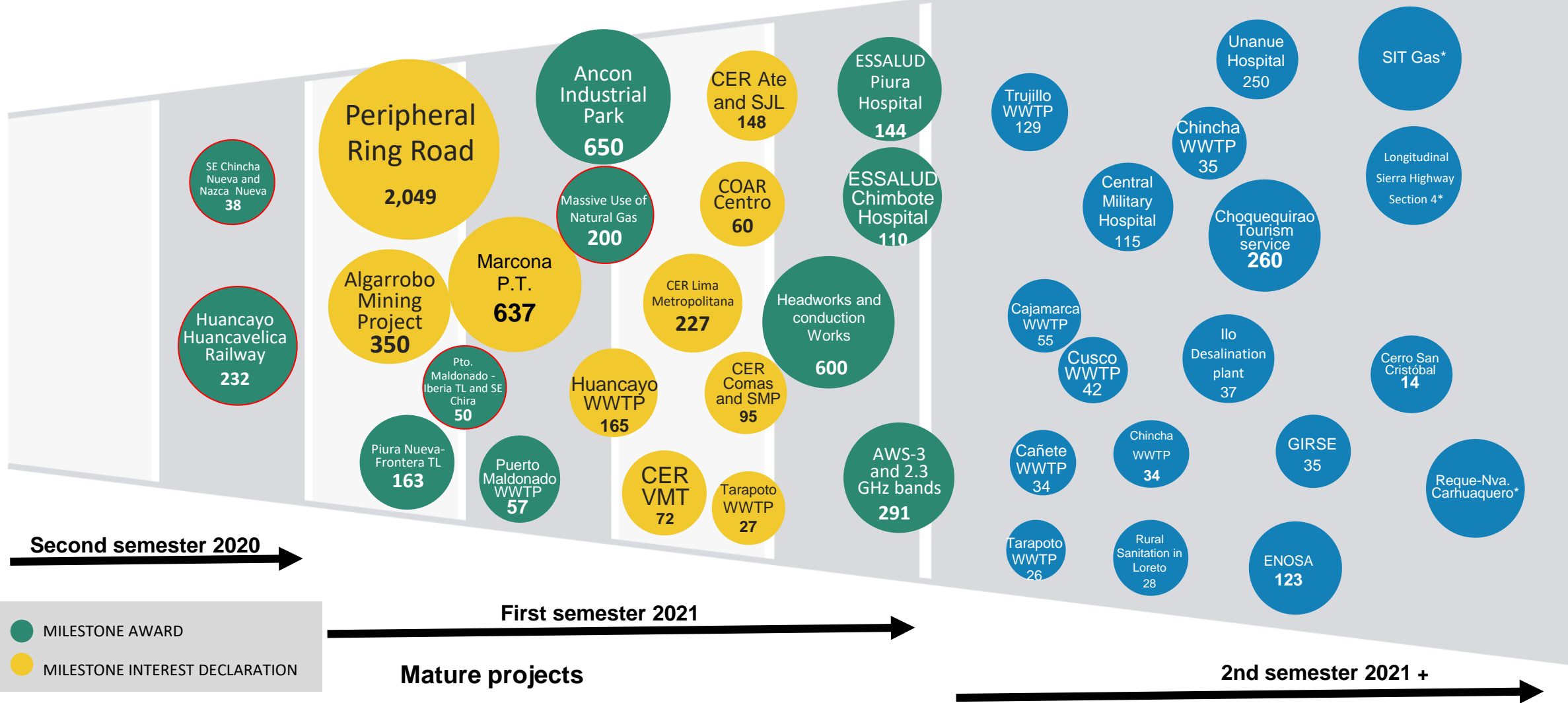
Goals: 2020 - July 2021

 <p>MILESTONE AWARD 13 Projects \$ 2,500 million</p>	<table border="0"> <tr> <td data-bbox="1681 485 2063 642"> Health <ol style="list-style-type: none"> 1. ESSALUD Chimbote* 2. ESSALUD Piura* </td> <td data-bbox="2063 485 2497 756"> Energy <ol style="list-style-type: none"> 5. Massive use of Natural Gas 6. Chincha Nueva SE 7. Nazca Nueva SE 8. Piura Nueva-Frontera TL 9. Pto Maldonado – Iberia TL 10. Valle del Chira SE </td> </tr> <tr> <td data-bbox="1681 642 2063 985"> Transport and communication <ol style="list-style-type: none"> 3. Huancayo – Huancavelica Railway 4. AWS-3 and 2.3 GHz bands </td> <td data-bbox="2063 756 2497 985"> Production (logistics) <ol style="list-style-type: none"> 11. Ancon Industrial Park Water & Sanitation <ol style="list-style-type: none"> 12. Pto Maldonado WWTP 13. Headwaters </td> </tr> </table>	Health <ol style="list-style-type: none"> 1. ESSALUD Chimbote* 2. ESSALUD Piura* 	Energy <ol style="list-style-type: none"> 5. Massive use of Natural Gas 6. Chincha Nueva SE 7. Nazca Nueva SE 8. Piura Nueva-Frontera TL 9. Pto Maldonado – Iberia TL 10. Valle del Chira SE 	Transport and communication <ol style="list-style-type: none"> 3. Huancayo – Huancavelica Railway 4. AWS-3 and 2.3 GHz bands 	Production (logistics) <ol style="list-style-type: none"> 11. Ancon Industrial Park Water & Sanitation <ol style="list-style-type: none"> 12. Pto Maldonado WWTP 13. Headwaters
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 <p>MILESTONE DECLARATION OF INTEREST 08 Projects USD\$ 3,100 million</p>	<table border="0"> <tr> <td data-bbox="1681 985 2063 1228"> Education <ol style="list-style-type: none"> 14. COAR Centro 15. CER VMT 16. CER Lima Metropolitana 17. CER Comas and SMP 18. CER Ate and SJL </td> <td data-bbox="2063 985 2497 1228"> Transport and communication <ol style="list-style-type: none"> 20. Peripheral Ring Road Mining <ol style="list-style-type: none"> 21. Algarrobo Mining Project </td> </tr> <tr> <td data-bbox="1681 1228 2063 1313"> Water & Sanitation <ol style="list-style-type: none"> 19. Huancayo WWTP </td> <td></td> </tr> </table>	Education <ol style="list-style-type: none"> 14. COAR Centro 15. CER VMT 16. CER Lima Metropolitana 17. CER Comas and SMP 18. CER Ate and SJL 	Transport and communication <ol style="list-style-type: none"> 20. Peripheral Ring Road Mining <ol style="list-style-type: none"> 21. Algarrobo Mining Project 	Water & Sanitation <ol style="list-style-type: none"> 19. Huancayo WWTP 	
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(*) Value to be updated

PROINVERSION's optimized portfolio

The amount of investment in the portfolio of mature and maturing projects is around US \$ 8,000 million



TRANSACTION

ESTACIÓN HUANCAYO
ANDÉN DE EMBARQUE



ESTIMATED AWARD
DATE

4th Quarter 2020

HUANCAYO- HUANCAVELI CA RAILWAY



**RESPONSIBLE
BODY**

Ministry of
Transport and
Communications



MODALITY

Co-financed
State Initiative



INVESTMENT (exc. VAT)

US\$ 232 million



TERM

30 years



**AREA OF
INFLUENCE**

Junín and
Huancavelica

TRANSACTION



**ESTIMATED AWARD
DATE**
4th Quarter 2020

**220/60 KV CHINCHA
NUEVA SUBSTATION
AND 220/60 KV NAZCA
NUEVA SUBSTATION**



**RESPONSIBLE
BODY**

Ministry of
Energy and
Mines



MODALITY

Self-financed
State Initiative



INVESTMENT (Exc. VAT)

US\$ 38 million



TERM

30 years



**AREA OF
INFLUENCE**

Ica

TRANSACTION



**ESTIMATED AWARD
DATE**

1st Quarter 2021

**138 KV PUERTO
MALDONADO - IBERIA
TRANSMISSION LINE AND
220/60/23 KV of 100 MVA
VALLE DEL CHIRA
SUBSTATION**



**RESPONSIBLE
BODY**

Ministry of
Energy and
Mines



MODALITY

Self-financed
State Initiative



INVESTMENT (Exc. VAT)

US\$ 50 million



TERM

30 years



**AREA OF
INFLUENCE**

Madre de Dios
and Piura

TRANSACTION



ESTIMATED AWARD DATE

1st Semester 2021

MASSIVE USE OF NATURAL GAS CENTRAL AND SOUTHERN PERU



RESPONSIBLE BODY

Ministry of Energy and Mines



MODALITY

Self-financed State Initiative



INVESTMENT (exc. VAT)

US\$ 200 million



TERM

32 years



AREA OF INFLUENCE

Ucayali, Junín, Huancavelica Ayacucho, Apurímac, Cusco and Puno



ESTIMATED AWARD DATE

1st Quarter 2021

500 KV PIURA NUEVA-FRONTERA SUBSTATION TRANSMISSION LINE



RESPONSIBLE BODY

Ministry of Energy and Mines



MODALITY

Self-financed State Initiative



INVESTMENT (Exc. VAT)

US\$ 163 million



TERM

30 years



AREA OF INFLUENCE

Tumbes and Piura

CALL FOR TENDERS DATE : 4th Quarter 2020

STRUCTURING



ESTIMATED AWARD DATE
Direct Award: 2nd Quarter 2021
Competition Scenario: 4th
Quarter 2021



DECLARATION OF PUBLIC INTEREST: 1st semester 2021

FORMULATION



ESTIMATED AWARD DATE
2nd Quarter 2021

RADIO SPECTRUM BANDS:
(i) 1 750 - 1 780 MHz and 2 150 - 2 180 MHz; and (ii) 2 300 -2 330 MHz



RESPONSIBLE BODY

Ministry of Transport and Communications



MODALITY

State Initiative Assets Projects



INVESTMENT (Exc. VAT)

US\$ 291 million



TERM

20 years



AREA OF INFLUENCE

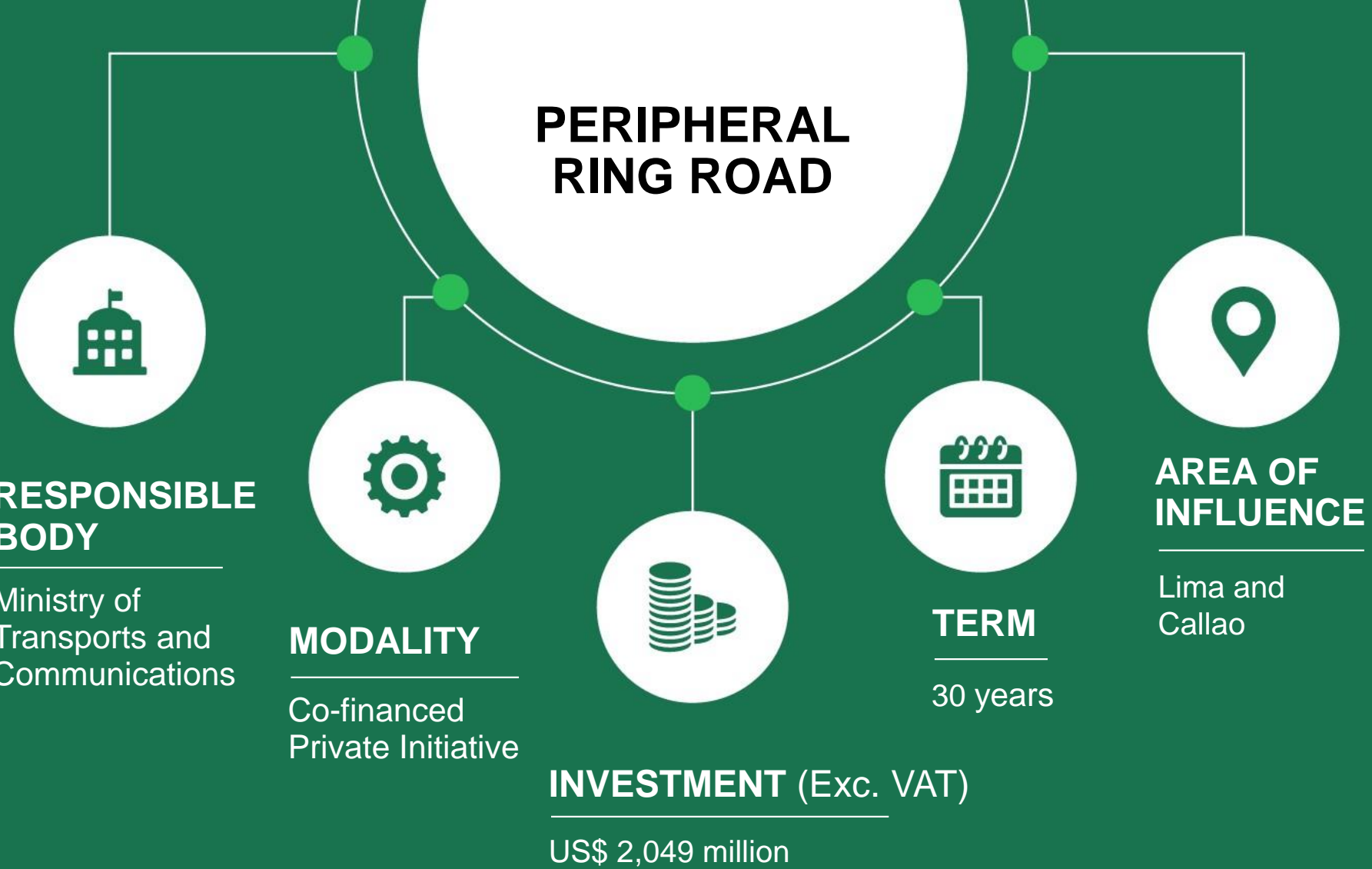
Nationwide

CALL FOR TENDERS DATE : 4th quarter 2020

STRUCTURING



ESTIMATED AWARD DATE
Direct Award: 2nd Quarter 2021
Competition Scenario: 4th
Quarter 2021



DECLARATION OF PUBLIC INTEREST: 1st quarter 2021

STRUCTURING



ESTIMATED AWARD DATE
3rd Quarter 2021

TWO NEW HOSPITAL: PIURA AND CHIMBOTE (ESSALUD)



RESPONSIBLE BODY
ESSALUD



MODALITY
Co-financed State Initiative



INVESTMENT (Exc. VAT)
US\$ 254 million*



TERM
20 years



AREA OF INFLUENCE
Piura and Chimbote

CALL FOR TENDERS DATE : 1st quarter 2021

(*) amount under review

TRANSACTION



PUERTO MALDONADO WASTEWATER TREATMENT PLANT



RESPONSIBLE BODY

Ministry of Housing, Construction and Sanitation



MODALITY

Co-financed State Initiative



INVESTMENT (Exc. VAT)

US\$ 57 million



TERM

22.5 years



AREA OF INFLUENCE

Madre de Dios



ESTIMATED AWARD DATE

2nd Quarter 2021

STRUCTURING



ESTIMATED AWARD DATE
2nd Quarter 2021

HEADWORKS AND CONDUCTION WORKS FOR DRINKING WATER SUPPLY IN LIMA



RESPONSIBLE BODY

Ministry of Housing, Construction and Sanitation



MODALITY

Self-financed State Initiative



INVESTMENT (Exc. VAT)

US\$ 600 million



TERM

30 years



AREA OF INFLUENCE

Junín and Lima

CALL FOR TENDERS DATE : 4th quarter 2020



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