

## Peru P3 Market Snapshot

Peru is Canada's second largest bilateral trading partner in South and Central America and the third largest destination for Canadian direct investment in South and Central America. In 2016, Canadian exports to Peru reached almost \$765 million, doubling pre-FTA levels from 2008. Canadian foreign direct investment in Peru totalled \$12.6 billion in 2016.

Peru's economic growth and investor friendly policies, combined with the Canada-Peru Free Trade Agreement, encourage Canadian investors to enter the country. Peru's sizable infrastructure gaps (approximately US\$160 billion, 2016-2025) generate significant opportunities for Canadian firms operating in the infrastructure sector. Peru has a well-developed framework for Public Private Partnerships and its flexible financing system. The relative openness of its capital markets and its history of strong economic growth make it one of the most attractive markets in South America for attracting private sector investment.

Peru's P3 framework separates projects into three categories – self-sustaining, co-financed, and works-for-taxes. Self-sustaining projects are carried out by the private sector, self-funded by the fees, prices or fares paid by the final users of a service. Co-financed projects require co-financing by the Government or the granting of financial or non-financial guarantees that may involve the use of public resources. In both categories, private developers are required to finance at least a portion of the project. The

work-for-taxes mechanism allows private corporations to offset a portion of income taxes by carrying out public investment projects. ProInversión, an agency created by the Government of Peru, is in charge of procuring the P3s that it has been assigned by public entities and also those that are received via private initiative.

ProInversión has developed a broad portfolio of projects to be adjudicated in 2017-2018, that will see the following investments:

- More than 2,600km of navigable rivers
- More than 2,500 communities connected to broadband
- More than 950km of highways
- More than 650km of transmission lines
- More than 190km of railway
- More than 75,000 m<sup>2</sup> new hospital space

In the second half of 2017, US\$4 billion in projects are expected to be adjudicated, while in 2018 the expected total project value is slated to be approximately US\$10 billion.

The full list of the P3 pipeline can be found at: <http://www.proyectosapp.pe/modulos/JER/PlanillaProyectoEstadoSector.aspx?are=1&prf=2&jer=5892&sec=30>

Other opportunities for infrastructure development and investment exist in:

- Reconstruction efforts following El Niño flooding in the first quarter of the year (a national plan valued at approximately US\$6.1 billion is expected to be released in August).
- Lima 2019 Panamerican and Parapanamerican Games (approx. infrastructure budget of US\$900 million).

*Peru is committed to improve its infrastructure in various areas and is willing to see more Canadian companies developing those projects. The decision is yours!*

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