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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
SUPPLEMENTAL FINANCING PROGRAM DOCUMENT**

FOR

PROPOSED SUPPLEMENTAL FINANCING IN THE AMOUNT OF US\$ 330 MILLION

TO

THE REPUBLIC OF PERU

FOR THE

**SECOND PROGRAMMATIC FISCAL MANAGEMENT AND COMPETITIVENESS
DEVELOPMENT POLICY LOAN**

November 27, 2008

Poverty Reduction and Economic Management
Bolivia-Ecuador-Peru-Venezuela Country Management Unit
Latin America and Caribbean Region

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REPUBLIC OF PERU FISCAL YEAR

January 1–December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective: November 11, 2008)

Currency Unit = Nuevos Soles

3.09 Nuevos Soles = US\$1

WEIGHTS AND MEASURES

Metric System

SELECTED ABBREVIATIONS AND ACRONYMS

BCRP	<i>Banco Central de Reserva del Perú</i> (Central Reserve Bank of Peru)
CAB	Current Account Balance
CD	<i>Certificado de Depósito</i> (Certificate of Deposit)
CPS	Country Partnership Strategy
DDO	Deferred Drawn Down Option
DPL	Development Policy Loan
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoP	Government of Peru
IFC	International Finance Cooperation
IMF	International Monetary Fund
MEF	Ministerio de Economía y Finanzas (Ministry of Economy and Finance)

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**SUPPLEMENTAL FINANCING
FOR THE
PERU SECOND PROGRAMMATIC FISCAL MANAGEMENT AND
COMPETITIVENESS DEVELOPMENT POLICY LOAN**

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LOAN SUMMARY

**SUPPLEMENTAL FINANCING
FOR THE**

**PERU SECOND PROGRAMMATIC FISCAL MANAGEMENT AND
COMPETITIVENESS DEVELOPMENT POLICY LOAN**

Borrower:	Republic of Peru
Implementing Agency	Ministry of Economy and Finance
Amount	US\$330 million
Terms	Development Policy Deferred Drawdown Option (DPL DDO) IBRD Flexible Loan with a fixed spread, US dollar denominated, payable in 21.5 years, including 13.5 years grace period. Front-end fee: 0.25 percent of the loan.
Tranching	Single tranche operation.
Project ID	P115120

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
PROPOSED SUPPLEMENTAL FINANCING
TO THE REPUBLIC OF PERU FOR
THE SECOND PROGRAMMATIC FISCAL MANAGEMENT AND
COMPETITIVENESS DEVELOPMENT POLICY LOAN**

**I. BACKGROUND AND RATIONALE FOR PROPOSED SUPPLEMENTAL
FINANCING**

1. **On August 5, 2008, the Board of Executive Directors approved the Second Programmatic Fiscal Management and Competitiveness Development Policy Loan (DPL) in the amount of US\$370 million to the Republic of Peru (the Borrower).** The authorities selected the DDO for this DPL as this option will allow them to better manage risk by introducing an additional instrument in the country's available risk management tools, particularly in the event of a shift in the external circumstances driving Peru's current growth or the occurrence of a natural disaster.
2. **The deepening global financial crisis since early August 2008 has changed Peru's medium term prospects, and despite solid fundamentals, the downside risk scenario is larger than at the time the operation was approved.** Peru faces a significant increase in spreads, restrictive external credit conditions, and reduced capital inflows -- despite its success in sustaining strong macro policies and obtaining unprecedented growth and poverty alleviation in recent years. In light of these challenges, the Government of Peru has decided to secure access to contingent lines of credit that will strengthen its preparedness in the event the external environment continues to deteriorate.
3. **The Government has put in place a number of policy measures to mitigate the impact of the financial crisis and deceleration in the global economy.** While these are appropriate for managing shocks under the base case scenario, the Government of Peru would like additional access to contingency financing as part of its strategy to ensure it can meet financing needs that would likely arise from continued deterioration of global conditions.
4. **The Government's strategy is an appropriate response to a highly volatile and uncertain external environment.** In this context, the Government has requested supplemental financing for the Second Programmatic Fiscal Management and Competitiveness DPL in the amount of US\$330 million. This proposed loan supplemental constitutes the first step of the Bank's medium term strategy to continue supporting Peru's financing requirements. The proposed loan is a component of the Government's broader medium term borrowing strategy for securing access to financing.

5. **The proposed Supplemental Financing for the Second Programmatic Fiscal Management and Competitiveness Development Policy Loan meets the criteria specified in paragraph 27 of Operational Policy 8.60.** The supplement would be provided to address an unanticipated gap in financing that could jeopardize the Fiscal Management and Competitiveness reform program.

- a. *The program is being implemented in compliance with the provisions of the Loan Agreement.* The Government is committed to the reforms supported by the loan and is implementing them in a satisfactory manner.
- b. *The borrower is unable to obtain sufficient funds from other lenders at reasonable terms and conditions and in timely manner.* The Borrower is requesting supplemental financing because access to foreign financing is limited and costly, and expected to remain that way for some time. The original loan amount was a critical component of the Borrower's strategic debt management policy under less severe downside external risks. As of November 27, 2008 the Borrower's needs for additional contingent financing cannot be met at reasonable cost from other sources. Although a sovereign placement of US\$600 million was announced as part of the Government of Peru's financing strategy at the onset of the financial crisis in September, the placement has been delayed as market conditions have not been favorable. Peru's borrowing costs, as measured by the JP Morgan-Chase Markets Bond Index (EMBI) Spread, reached 500 basis points by mid-November, double the spread as recently as August 2008.
- c. *A new freestanding Bank operation would not be a timely option.* In contrast, the Supplemental Financing option would enable the Bank to deliver program support as a timelier response to the financial needs of the Borrower arising from tightening of credit conditions.
- d. *The borrower is committed to the program and the implementing agency has demonstrated competence in carrying it out.* The Government's policy program, as described in the Program Document discussed by the Board on August 5, remains unchanged. The Government is implementing it in a satisfactory manner and has both the commitment and the capacity to continue doing so. Strengthening public finances and improving competitiveness are at the forefront of the authorities' policy agenda. The current policy stance is supportive of growth and macroeconomic stability. The policy mix response and strong fundamentals have made the Peruvian economy resilient enough to absorb the impact of the global financial crisis in a relatively orderly manner.

II. THE FINANCIAL CRISIS AND A REVISED ECONOMIC OUTLOOK

6. **Peru is facing the global financial crisis with good macroeconomic indicators and sound policies in place.** Economic growth has remained robust and broad based. It has been accompanied by public sector fiscal surpluses, relatively low inflation, high levels of international reserves, and a manageable external current account. In addition, vulnerability indicators have improved considerably in recent years, with a declining

public debt to GDP ratio and a strengthened financial sector. Growth has been led by domestic demand, with both consumption and investment expanding at high rates. In 2008, two rating agencies, Fitch and Standard and Poor's, upgraded Peru's sovereign debt to investment grade status. Export commodity price windfalls have been saved into a Fiscal Stabilization Fund, and could be used for countercyclical fiscal policy as needed. Finally, sustained growth is having a significant impact on the well-being of low income Peruvians, as evidenced by the decline of almost 10 percentage points in poverty rates between 2005 and 2007. Employment growth figures also show a positive trend.

7. The worsening global crisis is, however, starting to impact Peru's economy and may erode the gains obtained during the past six years of solid performance. The economy enjoyed substantial growth during the first semester of 2008 -- growth for 2008 is expected to remain at about 9 percent. Official statistics for the third quarter however, point to a slowdown of the economy particularly due to falling mineral prices and lower external demand. Tightening external conditions have been accompanied by volatility and depreciation of the Peruvian Nuevo Sol and a slight rebound in dollarization of assets and liabilities.

8. The Peruvian economy is highly exposed to the prices of commodities, which represent about 77 percent of total exports. There are signs that the trade balance is starting to deteriorate. Prices of the two main export commodities, copper and zinc, have been falling. Since its peak in March 2008, the commodity export price index has fallen by 45 percent. As a consequence, the current account has shifted to an expected deficit of 3.2 percent of GDP for 2008, from surpluses over the last three years. Likewise, the fiscal surplus for 2008 will be smaller than in 2007. The international financial turmoil has negatively affected the Lima stock market -- with a cumulative decrease of 56 percent between January and October 2008, driven by the drop in commodity prices. Inflationary pressures remained in 2008 due to food and fuel prices, but are expected to gradually recede with the decline in agricultural commodity and international fuel prices, as well as the expected slowdown in demand.

Table 1. Impact of the Global Crisis on Key Indicators

	August 2008	Most recent*
EMBI Global Spreads	204	502
Price of Copper (¢US \$ / lb)	367	181
Price of Zinc (¢US \$ / lb)	78.3	50.2
International Reserves	\$34.9 billion	\$31.2 billion
Exchange rate (PEN/\$)	2.95	3.11
Long term Government bond yield (domestic, PEN)	Svrgn 2017 => 7.96 Svrgn 2037 => 8.03	Svrgn 2017=> 8.58 Svrgn 2037=> 8.69
2009 GDP Growth projection	7.0 (end August)	6.0
2009 Current Account Balance projection	-1.3 % of GDP	-3.0 % of GDP
2009 Government Balance projection	1.5% of GDP	1.1% of GDP
* November 12, 2008, except 2009 forecasts (adjusted in October).		

9. **The near-term outlook for Peru is deteriorating as a result of the global crisis.** The medium term outlook described in the Program Document dated June 30, 2008 has been revised to reflect the more challenging external environment, namely lower global growth, lower commodity prices, higher risk and financing costs. Economic activity for 2009-11 is expected to slow down considerably. Growth forecasts for 2009 point to a strong deceleration of about three percentage points of GDP under the baseline scenario, which could deepen further if the crisis intensifies. These projections are below the potential 7 percent GDP growth estimated by the Central Bank of Peru (BCRP). Fiscal revenues will be affected by lower commodity prices and lower global demand, as one third of tax revenues are commodity related. The fiscal surplus originally forecasted for 2009 has been revised downwards, from 2.3 percent of GDP in the budget plan to 1.1 percent of GDP under the baseline scenario, and to a small deficit under the low case. The external current account will most likely remain in deficit at about 3 percent of GDP in the near term in the base case scenario. The financing of the current account deficit will depend on maintaining a reasonable amount of FDI inflows.

Table 2. Key Economic Indicators, 2005-2011

	2005	2006	2007	2008e	2009p		2010p		2011p	
					Base	Low	Base	Low	Base	Low
Annual GDP growth rate	6.4	7.6	9.0	9.3	6.0	3.5	5.5	4.0	5.5	5.0
Real Domestic Demand	5.7	10.3	11.8	13.2	5.9	4.7	7.1	3.4	7.6	3.9
Inflation rate, CPI (end of period)	1.5	1.1	3.9	6.0	3.0	5.0	2.5	3.0	2.0	2.0
Inflation rate, CPI (average)	1.6	2.0	1.8	5.7	4.4	5.0	3.3	3.0	2.4	2.0
NFPS Balance/GDP	-0.3	2.1	3.1	2.4	1.1	-1.5	0.9	0.2	2.2	0.8
Public Sector Debt/GDP	37.8	32.7	29.2	23.3	22.2	23.5	20.0	22.1	17.4	18.7
Exports (FOB); change p.a.	35.0	37.0	17.5	16.4	8.7	2.2	10.8	4.5	10.2	6.1
Imports (CIF); change p.a.	23.0	23.0	31.8	47.3	2.8	5.5	12.4	5.5	12.4	6.3
Trade Balance/GDP	6.4	9.6	7.7	2.8	0.0	-1.5	-0.3	-2.6	1.4	-1.8
External Current Account/GDP	1.4	2.8	1.4	-3.2	-3.0	-5.0	-3.0	-4.7	-2.2	-2.5
Terms of Trade (deterioration -)	5.6	27.4	3.6	-4.7	-8.3	-10.5	-1.6	-3.2	-4.0	-4.0
Net International Reserves										
US\$ billion	14.1	17.3	27.7	33.7	33.9	24.9	34.1	26.3	32.1	27.8
Percent of short-term external debt	311.4	182.4	456.1	473.7	349.9	257.0	378.9	271.5	356.7	286.9
Percent of foreign currency deposits at banks	125.9	151.7	208.5	199.1	198.7	145.9	199.9	154.2	242.5	162.9

Note: e=expected; p=projected.

Source: Ministry of Economy and Finance, Central Bank of Peru and IMF.

10. **The downside risk scenario has become more likely in the current uncertain and volatile external environment.** A low case scenario with lower external demand and a 40 percent fall in the prices of Peru's main metals was simulated to assess the economy's medium term outlook. This low case scenario is associated with a significant decline in growth, larger deterioration of the current account balance and a shift of the fiscal accounts into deficit. While in a low case scenario, public and external indebtedness deteriorates, the medium-term path remains sustainable as strategic debt management, strong GDP growth and fiscal surpluses in the past have lowered Peru's debt burden indicators and improved the country's debt profile.

11. **In January 2007, the Government signed a 25-month Stand-By Arrangement (SBA) which at completion could grant access to SDR 172.4 million (27 percent of quota) with the International Monetary Fund (IMF).** The program has been on track and the third review of Peru's economic performance under the arrangement was completed by the IMF Board on July 24, 2008. The Peruvian authorities have treated the arrangement as precautionary and have not requested withdrawals so far, as was also the case in the two previous SBAs. The Board discussion of the fourth review is tentatively scheduled for early 2009. Upon expiration of the SBA, the Government of Peru would have the option to access the newly proposed line of credit of the IMF (up to 500 percent of quota -- about US\$5 billion).

III. GOVERNMENT'S RESPONSE TO RECENT GLOBAL EVENTS

12. **The Peruvian authorities have announced and implemented a number of policy measures to maintain confidence and mitigate any adverse impact that the global crisis may have on the economy.** These measures include:

- **Easing Monetary Policy:** Since October 2008, the Central Reserve Bank of Peru (BCRP) has increased liquidity facilities to avoid a potential credit squeeze, including the creation of repo loans in US dollars with certificates of deposit as collateral, and has resumed issuance of US dollar-linked certificates of deposit. Additionally, BCRP approved in October 30, 2008, a regulation that allows institutions like pension funds to participate in these repo operations. BCRP has also reduced the marginal reserve requirements on both local and foreign currency deposits. Reserve requirements of 9 percent on long-term foreign capital inflows (above two years) were eliminated on October 10, 2008. The reserve requirement on US dollar denominated accounts was reduced from 49 percent to 35 percent on October 20, 2008.
- **Intervention in the foreign exchange market:** The Peruvian Sol depreciated by 3 percent between August 2008 and end-October 2008, after a lengthy period of moderate appreciation pressures. BCRP has intervened in the foreign exchange market to smooth out fluctuations and prevent a rapid depreciation of the currency, using nearly US\$4.5 billion in September and October of 2008. In the event of further depreciation pressures, BCRP has room to intervene in the market as international reserves currently stand at US\$32 billion or more than 20 percent of GDP (as of October 31).
- **Countercyclical fiscal policy:** The authorities have announced that they intend to adjust the level of public expenditures to support a growth rate target of at least 6 percent per year for 2009-10. Under this scenario, public investments would be accelerated as needed, and more funds would be allocated to social and infrastructure expenditures, with emphasis on those programs that have a direct impact on vulnerable families. While in a base scenario, such a boost in expenditures may not require incurring a fiscal deficit, this is not the case for the low case scenario and the authorities are making arrangements to secure contingent lines of credit from IFIs in case access to bond markets remains closed.

In the short term, authorities have announced their intention to explore long-term bond issuance if windows of opportunity arise in addition to IFIs financing.

- **Measures to Sustain Private Investment:** In addition to the above, the Government is working to ensure that private investment flows are not affected significantly by changing risk perceptions. In coordination with private commercial banks, authorities are identifying financial mechanisms that would prevent a significant reduction in lending for investments in equipment, capacity expansion and construction. Talks are underway with IFC to intensify its active presence in Peru through equity investments, long term funding, mobilization and issuance of partial guarantees to cover risks. Other institutions that have announced their intention to collaborate in these efforts include IDB, OPIC and JBIC. Public financial institutions would also continue channeling resources to productive sectors.

IV. WORLD BANK'S RESPONSE AND STRATEGY

13. **The authorities have requested a supplemental loan for the Second Programmatic Fiscal and Competitiveness DPL for US\$330 million as a preventive measure.** They have also expressed their desire for including a DDO option for the supplemental loan. The supplemental loan will support the Government's policy and reform program, geared towards maintaining fiscal and debt sustainability, improving the quality of public expenditure, and facilitating increased competitiveness. The program is at the core of the Country Partnership Strategy presented to the Board in December 2006.

14. **The amount requested for the proposed loan is within the limit for fast disbursing lending under the current CPS envelope.** Under the current CPS, a flexible base case lending envelope allows for lending commitments of a maximum of US\$3.5 billion over the entire CPS period (FY07-FY11), about US\$700 million a year. Of this envelope US\$2 billion were envisaged as fast disbursement loans over the CPS horizon. To date, the total committed amount in both investment and fast disbursing operations is US\$790 million (including the US\$370 million originally approved for the program supported by this loan). Investment lending commitments amount to US\$70 million. A progress report for the CPS will be presented to the Bank's Board for discussion during February of 2009. The AAA Program continues under implementation, as described in the original Program Document for this DPL, and in response to the new challenges it includes increased technical assistance to the Ministry of Finance to accelerate the programs of reforms for quality and efficiency of public expenditure management systems.

15. **The Bank exposure in Peru, half way through the implementation of the CPS, is slightly below the levels reached at the end of FY06.** This is in part the result of the Government's strategic debt management policy. As of end-September 2008, Peru's exposure reached US\$2.65 billion (compared to US\$2.7 billion as of end-FY06), representing about 13 percent of total public external debt and 2.7 percent of IBRD total portfolio. The total amount of the proposed loan (US\$700 million) will increase the exposure to US\$2.89 billion at the end of CY2008, including planned repayments.

16. **The Bank's supplemental financing through this proposed loan is the first step in its medium term strategy to continue supporting Peru's financing requirements.** In addition to this proposed loan, the authorities have expressed their desire to obtain additional financing in the form of two DPL-DDOs in FY09 for approximately US\$330 million each, plus an additional \$1 billion in DPL-DDOs for FY10. In this context, the environmental and social DPLs, currently under preparation and scheduled for Board discussion in February and March respectively, are being expanded to address the financing demand for FY09. The additional US\$1 billion for FY10 and further requirements for FY11 would require an increase in the CPS lending envelope of a minimum US\$720 million or a reallocation of its share assigned to investment lending within the current CPS envelope. This is being evaluated in the context of the preparation of the CPS Progress Report.

V. THE GOVERNMENT PROGRAM

17. **The Government of Peru remains strongly committed to its reform program directed to improve the efficiency and quality of fiscal management, and enhance competitiveness.** Together, reforms in these two areas have strengthened the ability to achieve the Government's ultimate goal: accelerating and broadening economic growth to improve the standard of living of all Peruvians. The mix of overall macroeconomic policy stability with gradual reforms in key areas has followed thus far shown positive results in terms of greater business creation and growth. Moreover, the combination of high growth with prudent fiscal/financial management will provide flexibility and space to address social needs.

VI. IMPLEMENTATION ARRANGEMENTS

A. Terms of Supplemental Financing

18. No conditions, except for the standard requirement for a legal opinion will apply to this Supplemental Financing Loan. The closing date for the Supplemental Financing Loan shall be three years after its signing by the Borrower.

B. Funds Flow and Auditing Requirements for the Supplemental Financing

19. The implementation arrangements and fiduciary aspects remain the same as in the Program Document for the Second Programmatic Fiscal Management and Competitiveness DPL, dated June 30, 2008.

C. Poverty, Social, and Environmental Aspects

20. The operation's poverty, social, and environmental aspects would remain broadly positive, as described in the Program Document for the Second Programmatic Fiscal Management and Competitiveness DPL, dated June 30, 2008.

VII. RISKS AND RISK MITIGATION

21. **While the outlook is positive under a baseline scenario, Peru faces risks as the depth and length of the global crisis remains uncertain.** The downside risks to the economic growth scenario and to the fiscal and external accounts could be significant, as Peru is a small and open economy vulnerable to external shocks. Fiscal revenues are reliant on commodity prices and the revised external environment points to a loss of revenues in coming years. The external current account has shifted into a deficit in 2008 and will most likely remain in deficit for the coming years. Uncertainties about trade flows, capital flows and global growth abound and the balance of payments position could deteriorate even further. The exchange rate could come under stress and exacerbate inflationary pressures. While dollarization of assets and liabilities has declined in recent years, there is a potential risk of a reversal in the process as global economic conditions remain highly volatile. In fact, dollarization has rebounded slightly in recent months. The social risks arising from poverty and inequality remain the same as previously indicated in the program document of the original loan, but could be exacerbated if economic activity falls down significantly.

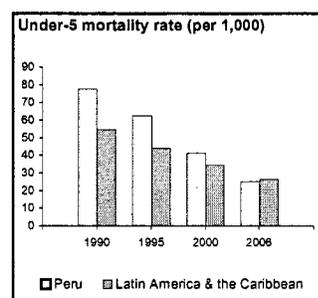
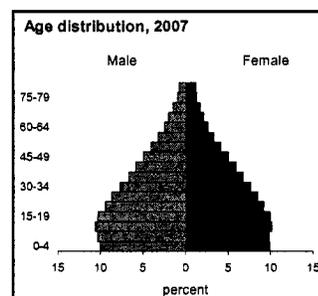
22. **Good macroeconomic fundamentals and the appropriate policy response should moderate the negative impact of a weaker external demand and facilitate the absorption of external shocks in an orderly manner.** The Government is aware of the risks that a growing global crisis can create for Peru and has developed a plan to mitigate those risks. This plan includes the contingent lines of credit that this loan supports. Downside risks on growth are ameliorated by a vibrant private sector and sound policies that have generated a buffered macroeconomic position. This should allow Peru to better cope with the external shocks this time, in comparison with past crises. If the crisis intensifies, the Government is committed to implement countercyclical macroeconomic policies. The proposed loan would help to signal a stronger financial position to the markets. Under the baseline scenario (which already incorporates the deteriorating external environment), financing needs for the public sector are met but with reduced degrees of freedom. The current level of international reserves gives room to BCRP to accommodate a larger external financing gap. In the event conditions worsen, this loan and other sources of contingent financing should contribute to provide a timely cushion against the crisis and restore a viable external position. Moreover, access to a sizeable array of contingent lines of credit will bolster market confidence in the Peruvian economy, a key ingredient of the Government's strategy.

Annex 1. Peru at a Glance

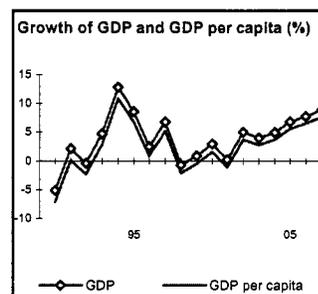
Peru at a glance

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Key Development Indicators (2007)	Peru	Latin America & Carib.	Lower middle income
Population, mid-year (millions)	28,2	563	3.437
Surface area (thousand sq. km)	1.285	20.421	35.510
Population growth (%)	1,1	1,2	1,0
Urban population (% of total population)	71	78	42
GNI (Atlas method, US\$ billions)	95,0	3.118	6.485
GNI per capita (Atlas method, US\$)	3.400	5.540	1.887
GNI per capita (PPP, international \$)	7.240	9.320	4.544
GDP growth (%)	8,9	5,7	9,7
GDP per capita growth (%)	7,6	4,5	8,8
<i>(most recent estimate, 2000–2007)</i>			
Poverty headcount ratio at \$1.25 a day (PPP, %)	13	8	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	31	18	..
Life expectancy at birth (years)	71	73	69
Infant mortality (per 1,000 live births)	21	22	41
Child malnutrition (% of children under 5)	5	5	25
Adult literacy, male (% of ages 15 and older)	94	91	93
Adult literacy, female (% of ages 15 and older)	82	89	85
Gross primary enrollment, male (% of age group)	116	120	112
Gross primary enrollment, female (% of age group)	117	116	109
Access to an improved water source (% of population)	84	91	88
Access to improved sanitation facilities (% of population)	72	78	54



Net Aid Flows	1980	1990	2000	2007 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	201	397	398	468
<i>Top 3 donors (in 2006):</i>				
United States	53	79	92	187
Spain	..	6	19	69
European Commission	1	22	24	54
Aid (% of GNI)	1,0	1,6	0,8	0,6
Aid per capita (US\$)	12	18	15	17
Long-Term Economic Trends				
Consumer prices (annual % change)	60,1	7649,0	3,7	3,9
GDP implicit deflator (annual % change)	65,9	6.836,9	3,7	2,0
Exchange rate (annual average, local per US\$)	0,0	0,2	3,5	3,1
Terms of trade index (2000 = 100)	..	126	100	158
Population, mid-year (millions)	17,3	21,8	25,7	28,2
GDP (US\$ millions)	20.661	26.294	53.290	109.219
<i>(% of GDP)</i>				
Agriculture	10,0	7,2	7,8	6,1
Industry	36,8	22,9	27,3	33,8
Manufacturing	20,2	14,9	14,4	14,5
Services	39,1	53,7	56,2	51,6
Household final consumption expenditure	57,5	73,7	71,4	61,5
General gov't final consumption expenditure	10,5	7,9	10,6	9,1
Gross capital formation	29,0	16,5	20,2	22,9
Exports of goods and services	22,4	15,8	16,0	28,9
Imports of goods and services	19,4	13,8	18,2	22,4
Gross savings	..	19,3	20,2	23,6



1980–90 1990–2000 2000–07
(average annual growth %)

Population	2,3	1,6	1,2
GDP	-0,1	4,7	5,4
Agriculture	3,0	5,5	3,6
Industry	0,1	5,4	6,3
Manufacturing	-0,2	3,8	6,2
Services	-0,5	4,0	5,3
Household final consumption expenditure	0,7	4,0	4,6
General gov't final consumption expenditure	-0,9	5,2	4,5
Gross capital formation	-3,8	7,4	8,6
Exports of goods and services	-0,9	8,5	8,8
Imports of goods and services	-3,2	9,0	8,6

Note: Figures in italics are for years other than those specified. 2007 data are preliminary. .. indicates data are not available.
a. Aid data are for 2006.

Development Economics, Development Data Group (DECDG)

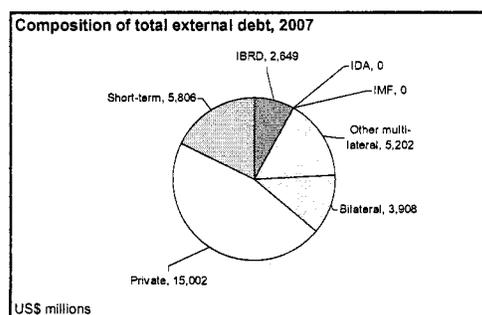
Balance of Payments and Trade	2000	2007
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	6,955	27,956
Total merchandise imports (cif)	7,358	19,599
Net trade in goods and services	-1,138	7,429
Current account balance as a % of GDP	-1,546 -2.9	1,505 1.4
Workers' remittances and compensation of employees (receipts)	718	2,131
Reserves, including gold	8,563	27,720

Central Government Finance

<i>(% of GDP)</i>		
Current revenue (including grants)	14.9	17.9
Tax revenue	12.2	15.4
Current expenditure	15.1	12.5
Overall surplus/deficit	-2.8	1.8
Highest marginal tax rate (%)		
Individual	20	30
Corporate	30	30

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	28,639	32,155
Total debt service	2,571	7,405
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	53.7	29.2
Total debt service (% of exports)	27.8	22.5
Foreign direct investment (net inflows)	810	5,343
Portfolio equity (net inflows)	123	130



Private Sector Development	2000	2008
Time required to start a business (days)	-	65
Cost to start a business (% of GNI per capita)	-	25.7
Time required to register property (days)	-	33
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2007
Anticompetitive or informal practices	..	22.1
Tax administration	..	17.9
Stock market capitalization (% of GDP)	19.8	98.8
Bank capital to asset ratio (%)	9.1	8.6

Technology and Infrastructure	2000	2007
Paved roads (% of total)	13.4	14.4
Fixed line and mobile phone subscribers (per 100 people)	12	65
High technology exports (% of manufactured exports)	3.6	2.0

Environment

Agricultural land (% of land area)	17	17
Forest area (% of land area)	54.1	53.7
Nationally protected areas (% of land area)	..	16.9
Freshwater resources per capita (cu. meters)	..	59,250
Freshwater withdrawal (% of internal resources)	1.2	..
CO2 emissions per capita (mt)	1.1	1.2
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	11.4	12.8
Energy use per capita (kg of oil equivalent)	488	506

World Bank Group portfolio

<i>(US\$ millions)</i>	2000	2007
IBRD		
Total debt outstanding and disbursed	2,590	2,649
Disbursements	266	256
Principal repayments	93	241
Interest payments	189	150
IDA		
Total debt outstanding and disbursed	-	-
Disbursements	-	-
Total debt service	-	-
IFC (fiscal year)		
Total disbursed and outstanding portfolio	292	324
of which IFC own account	157	311
Disbursements for IFC own account	70	148
Portfolio sales, prepayments and repayments for IFC own account	10	24
MIGA		
Gross exposure	329	8
New guarantees	40	0

Note: Figures in italics are for years other than those specified. 2007 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

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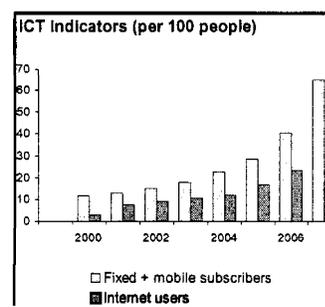
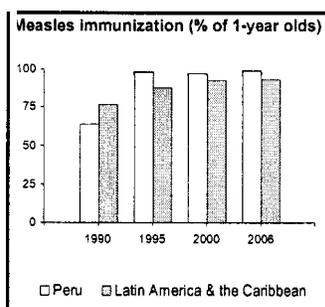
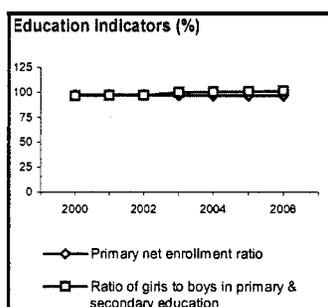
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Peru

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Peru			
	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	54,3	53,1
Poverty headcount ratio at national poverty line (% of population)	5,6	4,4	3,0	3,7
Share of income or consumption to the poorest quintile (%)	8,8	5,7	5,2	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	88	..	98	96
Primary completion rate (% of relevant age group)	..	..	103	101
Secondary school enrollment (gross, %)	67	..	87	94
Youth literacy rate (% of people ages 15-24)	..	95	..	97
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	96	..	97	101
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	31	33	38
Proportion of seats held by women in national parliament (%)	6	11	11	29
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	78	63	41	25
Infant mortality rate (per 1,000 live births)	58	48	33	21
Measles immunization (proportion of one-year olds immunized, %)	64	98	97	99
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	240
Births attended by skilled health staff (% of total)	80	56	59	87
Contraceptive prevalence (% of women ages 15-49)	59	64	69	46
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	0,4	0,5
Incidence of tuberculosis (per 100,000 people)	388	295	225	162
Tuberculosis cases detected under DOTS (%)	..	101	87	96
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	75	79	81	84
Access to improved sanitation facilities (% of population)	55	60	65	72
Forest area (% of total land area)	54,8	..	54,1	53,7
Nationally protected areas (% of total land area)	..	..	..	16,9
CO2 emissions (metric tons per capita)	1,0	1,0	1,1	1,2
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	9,8	11,2	11,4	12,8
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	2,6	4,6	6,7	9,6
Mobile phone subscribers (per 100 people)	0,0	0,3	5,0	55,3
Internet users (per 100 people)	0,0	0,0	3,1	27,4
Personal computers (per 100 people)	..	1,5	4,1	10,3



Note: Figures in italics are for years other than those specified indicates data are not available

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