REVENUE SHARING CASE STUDY

Mineral Revenue Sharing in Peru

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Natural Resource Governance Institute

Contents

This country case study is part of a series describing how resource revenues are shared by national governments with subnational authorities.

Table of relevant Peruvian laws

NO. LEGISLATION	NAME/DESCRIPTION	YEAR OF PUBLICATION
	Constitution	1979
Decree No. 708	Law of Investment Promotion in the Mining Sector	1991
Decree No. 014-92	Unique Ordered Text on the 1981 General Mining Law	1992
	Constitution	1993
Decree No. 88-95	On establishing a share of revenue from the corporate income tax to be distributed to subnational governments	1995
Law No. 27506	First Law of Canon	2001
Decree No. 913	Law that substitutes articles 39 and 57 of Decree No. 014-92	2001
Law No. 27651	Law of formalization and promotion of small-scale and artisanal mining	2002
Resolution 261-2002	On the distribution of *Canon Minero* resources	2002
Law No. 27783	Founding Law of Decentralization	2002
Law No. 27972	Organic Law for Municipal Governments	2003
Law No. 28077	Law modifying several articles from Law No. 27506	2003
Law No. 28258	Law on Mineral Royalties	2004
Law No. 28322	Law that modifies articles from Law No. 27506, modified by Law No. 28077	2004
Law No. 28327	Law that modifies article 57 from Unique Ordered Text on the 1981 General Mining Law	2004
Decree No. 187-2004	Modifies the Law of Canon	2004
Decree No. 071-2006	Creation of the Mining Program of Solidarity with the People (PMSP)	2006
Law No. 29169	Law that includes the regional governments in the distribution of revenue from the Derecho a Vigencia, with respect to payments from small-scale and artisanal mining	2008
Law No. 29289	Law on Public Sector's Budget for the year 2009	2009
Law No. 29788	Law that modifies Law No. 28258 on mineral royalties	2011
Law No. 29789	Law that creates the Special Tax on Mining	2011
Law No. 29790	Law that establishes the legal framework for the Special Obligation on Mining	2011
Decree No. 058-2011	On urgent and special economic and financial measures to maintain and promote the dinamism in the national economy	2011
Decree No. 005-2014	Law that promotes regional and local public investment with the participation of the private sector	2014

Summary

This report provides an overview of natural resource related intergovernmental transfers in Peru—that is, the revenue that the Peruvian national government earns from extraction and then redistributes to subnational governments. The focus of the report is on transfers of revenue from mining; it does not cover the smaller, but significant, hydrocarbon sector. The report outlines fiscal decentralization and the evolution of revenue sharing, and provides an overview of how resource revenues are collected and then shared with subnational governments, within the wider intergovernmental transfer system in Peru. Where there is sufficient information, the report highlights the statutory earmarks of revenue, and the level of transparency and effectiveness of the revenue sharing system. It is primarily intended to inform policy debates on revenue sharing in Peru and other countries. It may also be of interest to researchers further exploring key issues related to this topic. It forms part of a broader set of case studies on revenue sharing.

In 2013, Peru was the world's second largest producer of copper and silver, and the sixth largest producer of gold.[1] The country also holds significant reserves of coal, iron ore, tin, sulfur, and zinc.[2] In 2014, the contribution of the mining sector to Peru's gross domestic product (GDP) was 12 percent, and minerals made up 52 percent of total exports.

Mineral revenue collected by the state has been volatile over the last decade. Between 2004 and 2007, mineral revenue increased more than nine fold from $365 million in 2004 to $3,411 million in 2007. The increase was largely due to; the price of minerals on the international market between 2004 and 2007; royalty payments by companies as a result of the establishment of the mineral royalty in 2004; and payment of corporate income tax from 2005 by the mining firm Antamina, which had previously been exempted from payment of corporate income tax under a stabilization clause contained in its contract. Peru was affected by the slowdown in the global economy in 2008 and 2009. Peru's economy started to recover in 2010 and 2011. Since 2012 revenues from mining have been in decline (Figure 1). This is largely attributed to falling prices on the international market and to the fiscal instruments introduced by the government in 2011.[3]

1 Peru – Country Mining Guide (KPMG Growth Series, KPMG, 2013), 2.
2 Peru – Country Mining Guide (KPMG Growth Series, KPMG, 2013), 2.
3 Epifanio Baca, Gustavo Ávila and Pamela Ortega, Vigilancia de las Industrias Extractivas (Reporte Nacional No. 18 Perú 2013, Grupo Propuesta Ciudadana, 2014), 22

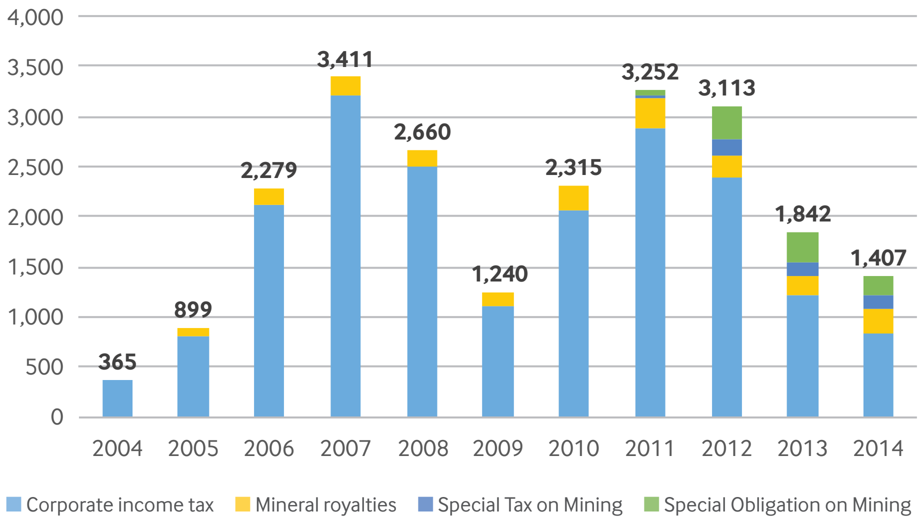


Figure 1. Revenue collected by the state from mining operations (2004-2014), in US$ million[4]

Peru has a decentralized system with three levels of government: national, regional, and municipal. The country has 25 regions (24 former departments and the Province of Callao). The regions are divided into 194 provinces, which are in turn subdivided into 1,838 districts. Provincial and district governments are together referred to as the municipal governments. (See Figure 2.)[5]

The regions of Ancash, Arequipa, Moquegua, and Tacna are responsible for more than 80 percent of Peru's official copper production, and Ancash, Arequipa, Cajamarca, Huancavelica, and La Libertad are responsible for about 50 percent of Peru's official gold production.[6]

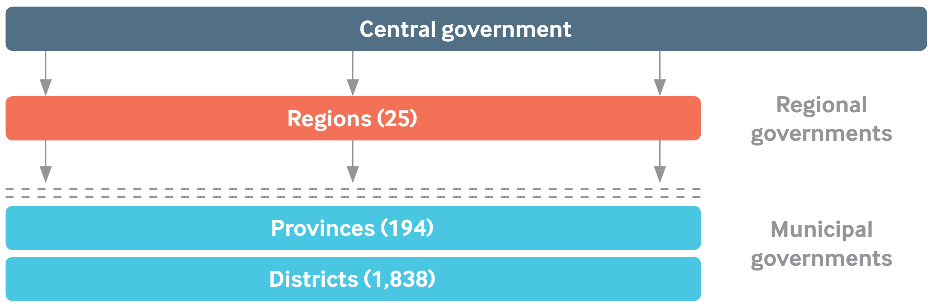


Figure 2. Peru's subnational government structure

4 Epifanio Baca, and Gustavo Ávila. *Vigilancia de las Industrias Extractivas. Reporte Nacional N| 19. Balance 2004-2014* (Grupo Propuesta Ciudadana, GPC, 2015), 11-12.

5 Constitution, 1993.

6 The figures do not include small scale, informal and illegal mining. Source: Marielle del Valle, *Ingresos Fiscales por Explotación de Recursos Mineros e Hidrocarburos en Perú* (Inter-American Development Bank, IDB-PB-197, 2013), pp. 2-3.

A large proportion of the revenue collected from the mining sector – around 60.3 percent in 2014 – is distributed to municipal and regional governments (hereafter referred to as subnational governments).[7] The national government mainly shares two types of mining revenue with subnational governments: (i) the Canon Minero comprising 50 percent of the corporate income tax collected from mining firms; and (ii) mineral royalties. A third source of revenue, the annual sub-surface fee (in Spanish, *derecho de vigencia*), is also distributed, but only represents around 5.1 percent of the total revenue shared with subnational governments in 2014. The data presented in this report exclude revenues from the derecho de vigencia unless otherwise stated.[8] Figure 3 provides a breakdown of mineral revenue shared with subnational governments for the period 2010-2013.

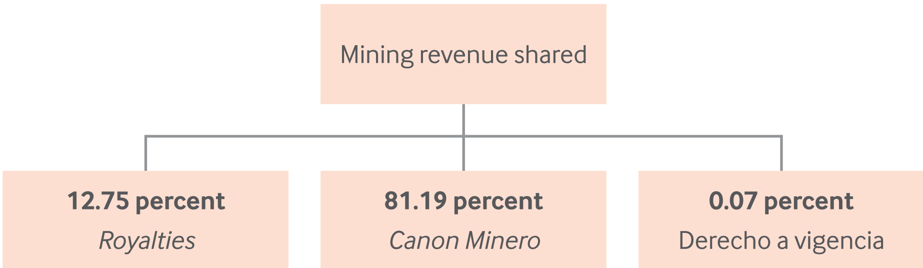


Figure 3. Mining revenue shared with subnational governments (average 2010-2013)[9]

Peru's current system of mineral revenue sharing is largely based on derivation—meaning that revenue from mining operations is allocated to subnational governments according to the production levels. The national government transfers most of the revenue from mining operations to producing areas: 95 percent of the revenue from both the Canon Minero and royalties is transferred to subnational governments in producing regions. The remaining 5 percent is allocated to public universities within the producing regions. This creates large differences in mining revenue transfers between subnational governments of producing regions and non-producing regions (Table 1). In 2014, for example, the municipal government of Moquega received $471 per capita while the municipal government of Amazonas, received $20 per capita. The regional government of Moquega received $145 per capita while the regional government of Amazonas received almost nothing.

7 Epifanio Baca and Gustavo Avila. *Vigilancia de las Industrias Extractivas. Reporte Nacional N| 19. Balance 2004-2014* (Grupo Propuesta Ciudadana, GPC, 2015), p. 50

8 Data on revenue from the *Derecho de Vigencia* shared with municipal and regional governments can be found at http://www.ingemmet.gob.pe/ConsultaDVigencia/

9 Own elaboration based on, Ernst & Young Asesores. *Cuarto Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (EITI) en el Perú (2014)*, 30-34.

Region	Population 2014 census	Average production 2009-2014	2012					2013					2014				
			Production	Municipal		Regional		Production	Municipal		Regional		Production	Municipal		Regional	
	Inhabitants	USD million	USD million	USD	USD per capita	USD	USD per capita	USD million	USD	USD per capita	USD	USD per capita	USD million	USD	USD per capita	USD	USD per capita
Amazonas	421,122	-	-	38	0	11	0	-	18	0	4	0	-	20	0	4	0
Áncash	1,142,409	1,479	1,836	278,259,380	244	93,363,113	82	1,697	278,716,587	244	93,404,810	82	1,186	203,318,988	178	68,087,393	60
Apurímac	456,652	4	-	2,384,231	5	758,053	2	-	4,110,761	9	1,045,680	2	-	763,777	2	243,077	1
Arequipa	1,273,180	1,146	1,317	227,222,253	178	74,195,564	58	1,059	132,410,794	104	42,844,899	34	908	125,543,323	99	39,028,322	31
Ayacucho	681,149	236	272	26,674,035	39	8,378,263	12	303	7,367,549	11	2,108,324	3	271	3,779,071	6	822,681	1
Cajamarca	1,525,064	1,035	1,334	166,345,765	109	52,968,845	35	942	173,086,443	113	53,786,502	35	818	110,954,752	73	35,010,301	23
Cusco	1,308,806	333	208	107,826,103	82	34,628,613	26	470	16,163,476	12	4,640,314	4	442	39,793,089	30	11,529,166	9
Huancavelica	491,278	137	154	7,339,564	15	2,121,139	4	132	4,780,886	10	1,295,201	3	119	2,840,715	6	670,189	1
Huánuco	854,234	44	52	1,555,773	2	459,012	1	47	724,705	1	180,273	0	40	475,884	1	94,301	0
Ica	779,372	343	396	111,803,784	143	34,991,377	45	429	63,779,675	82	19,476,160	25	377	80,096,554	103	24,502,595	31
Junín	1,341,064	367	343	34,455,254	26	10,844,356	8	348	24,538,152	18	7,183,736	5	534	10,406,415	8	3,253,563	2
La Libertad	1,836,960	891	1,176	166,733,862	91	52,762,823	29	900	165,057,749	90	52,397,435	29	786	110,804,387	60	34,860,831	19
Lambayeque	1,250,349	-	-	132,258	0	42,763	0	-	26,437	0	8,812	0	-	299	0	100	0
Lima		339	391	53,392,946	5	16,340,938	2	307	38,062,888	4	11,300,516	1	304	22,573,178	2	6,410,191	1
Loreto	1,028,968	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Madre de Dios	134,105	281	270	196,930	1	65,643	0	287	463,136	3	154,379	1	132	218,699	2	72,900	1
Moquega	178,612	606	666	117,383,825	657	35,697,749	200	601	100,343,259	562	31,249,998	175	550	84,200,751	471	26,158,667	146
Pasco	301,988	604	742	62,153,606	206	19,809,996	66	628	35,133,754	116	10,249,239	34	581	22,594,937	75	6,827,767	23
Piura	1,829,496	-	-	89,992	0	24,230	0	-	1,773,709	1	583,415	0	-	1,237,237	1	399,336	0
Puno	1,402,496	296	302	103,191,431	74	31,113,772	22	289	75,418,806	54	22,561,211	16	281	64,685,287	46	19,010,924	14
San Martín	829,520	-	-	298,356	0	94,774	0	-	187,419	0	57,565	0	-	286,105	0	88,123	0
Tacna	337,583	455	483	107,339,369	318	33,729,221	100	414	84,823,735	251	26,086,885	77	437	77,556,496	230	23,709,056	70
Tumbes	234,638	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ucayali	489,664	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	20,128,709	-	9,942	1,574,778,756	2,196	502,390,254	691	8,855	1,206,969,937	1,686	380,615,360	526	7,766	962,129,967	1,391	300,779,489	432

Table 1. Canon Minero and royalty transfers to municipal and regional governments in US$ and US$ per capita (2009-2014), and average mineral production of regional governments (2009-2014)*

*Note: Author's own elaboration. The region of Lima contains the following three geographical areas: the regional government of Lima, the Metropolitan Municipality of Lima, and the Constitutional Province of Callao. Highlighted rows correspond to mineral producing regions. Although the regional governments of Amazonas, Lambayeque, Piura, and San Martín receive revenue from *Canon Minero* and royalties, the production and revenue figures are negligible compared to those of the other 17 producing regions.

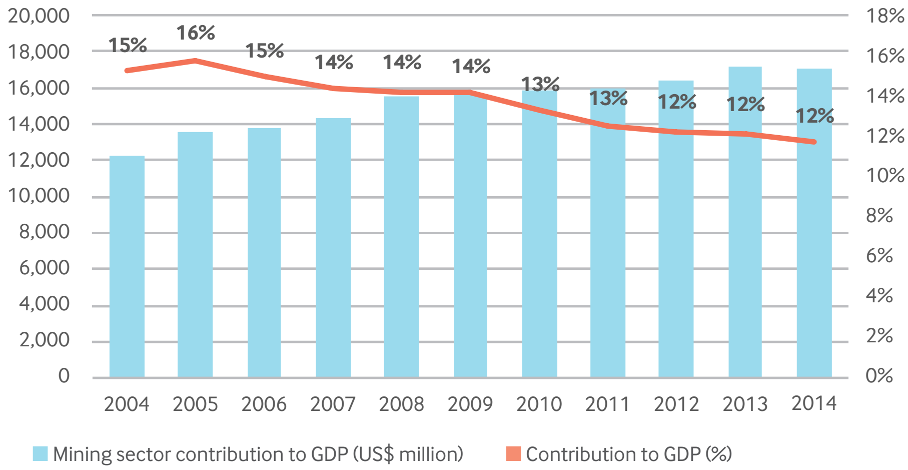
Several (and sometimes conflicting) earmarks exist on the use of all three sources of transferred mining revenue. Subnational governments have to spend all resource transfers to on investments for the benefit of the community, and universities have to invest all resource transfers in scientific and technological investigations. The earmarks do not seem to have translated to better utilization and positive impacts in extraction areas. Limited studies undertaken so far[10] suggest that there is underutilization of transferred revenue and the increased incidence of conflict as a result of revenue transfers.

Regarding disclosure of information, all statutory instruments regulating revenue sharing in Peru are publicly available. The national government discloses detailed and monthly updated information on actual revenue transfers and regional and municipal spending, but data such as on basic needs and population used to calculate shares for different jurisdictions are not disclosed.

10 For instance, Contraloría General de la República, Distribución y Utilización de los Recursos del Canon, Sobrecanon, Fondo de Desarrollo Socioeconómico del Proyecto Camisea y Regalía Minera en el Perú (Congreso Peru, 2012), p. 58. Epifanio Baca, Vicente Sotelo, *Lo que debemos saber acerca del Canon y la Regalia Minera* (GPC, Cartilla Informativa, 2011), 10. Epifanio Baca et al., *Informe De Ingresos Y Gastos Por Canon Minero Y Regalías Mineras* (GPC, 2015), 6-8.

Introduction

Peru is the second largest producer of copper, and holds the second-largest known copper reserves in the world.[11] It is also the world's second largest silver producer and the sixth largest gold producer.[12] Although the absolute contribution of mining to the country's GDP has been increasing, the relative contribution of mining to Peru's GDP has been in decline since the beginning of 2010, decreasing from an average of 14.8 percent between 2004 and 2009 to an average of 12.4 percent between 2010 and 2014 (see Figure 4a). Mining contributions to Peru's exports have been in decline since 2011 in both absolute and relative terms. They accounted for an average of 60 percent of total exports between 2004 and 2010, and decreased to an average of 52 percent between 2011 and 2014 (see Figure 4b).



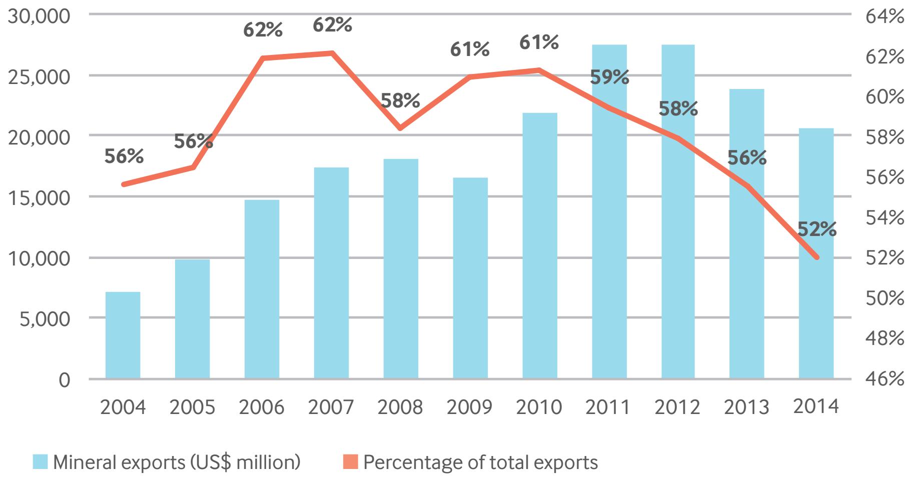


Figure 4. Absolute and relative contributions of mining operations to Peru's gross domestic product and exports[13]

11 Peru – Country Mining Guide (KPMG Growth Series, KPMG, 2013), 2.
12 Peru – Country Mining Guide (KPMG Growth Series, KPMG, 2013), 2.
13 Central Bank of Peru (BCRP), Historical Annual Statistic Data, available at: http://www.bcrp.gob.pe/estadisticas/cuadros-anuales-historicos.html

The main foreign firms operating in the country are Alcoa, Barrick, BHP, Freeport, Gold Fields, Newmont, Rio Tinto, Sienna Gold, Shougang and Xstrata. Among the key domestic players are Antamina, Atacocha, Barrick Misquichilca, Buenaventura, Cerro Verde, Southern Peru, Yanacocha [14], and Volcan.[15] In 2012, 50 percent of total mining production in Peru was controlled by five firms: Antamina, Southern Peru, Cerro Verde, Yanacocha, and Barrick.[16] A group of 15 large- and medium-sized firms controlled 30 percent of mining operations, and a third group of 270 small firms was responsible for 15 percent of mineral production in Peru. The remaining 5 percent of mining production occurred in the region of Madre de Dios and is presented separately because it is mostly informal and illegal. (See Figure 5.)

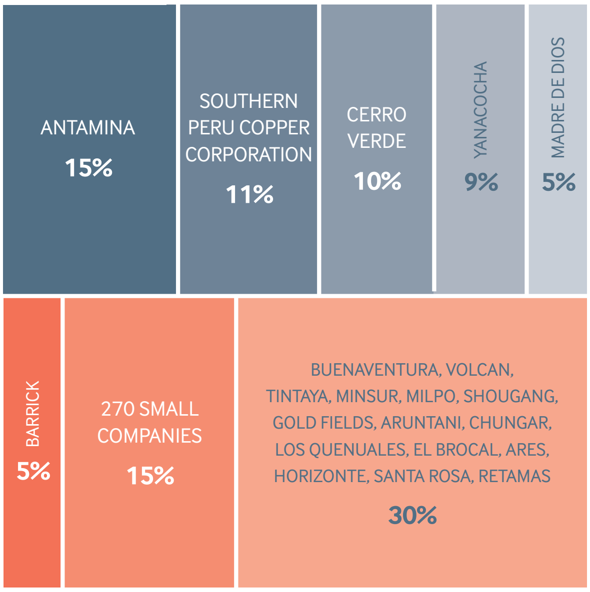


Figure 5. Mining companies in Peru, 2012[17]

The subnational governments of areas where mining occurs receive 50 percent of the corporate income tax collected from mining companies in accordance with the Canon Minero and a lesser amount from royalties collected from mining companies. Between 2005 and 2014, the average revenue received by both municipal and regional governments from the Canon Minero was $1,019 million, while the average revenue received from royalties was $147 million.

The main beneficiaries of mining revenue transfers from the central government are municipal governments. From 2005 to 2014 municipal governments received 75 percent of total Canon Minero transfers and almost 85 percent of royalty payments. Regional governments received the remaining 25 percent of Canon Minero and 15 percent of royalty payments. Figures 6 and 7 provide details of these transfers from 2005 to 2014 and also show the importance of Canon Minero revenue with respect to royalty payments for both regional and municipal governments.

14 Yanacocha is owned by Buenaventura, Newmont and the IFC.
15 For a more comprehensive list see Peru – Country Mining Guide (KPMG Growth Series, KPMG, 2013), 20.
16 Grupo Propuesta Ciudadana, Análisis de los ingresos generados por las nuevas medidas tributarias al sector minero. La regalía minera modificada, el impuesto especial a la minería y el gravamen especial a la minería (GPC, 2012), 18.
17 GPC, 2012, 20.

In sections I and II we briefly describe the process of decentralization and local governance and the associated history of revenue sharing in Peru. In section III we map the details of how mining revenue is collected and shared. In section IV we investigate how this revenue is supposed to be spent and, when information is available, how it is actually spent. In section V we summarize emerging research on the impact of revenue sharing, and finally in section VI we study the level of transparency around the revenues shared with subnational governments.[18]

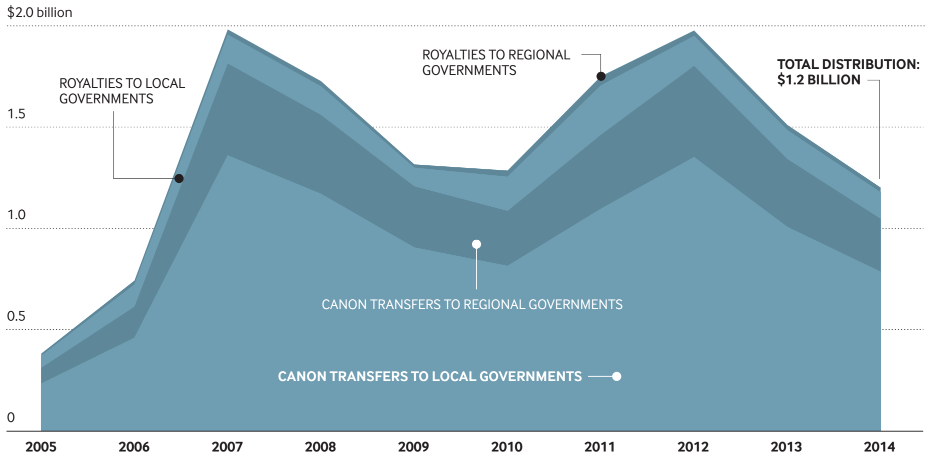


Figure 6. Transfers from Canon Minero and mineral royalties to regional and municipal governments, 2005-2014 in US$ million[18]

18 Ministry of Economy and Finance, portal of economic transparency. Available at: http://apps5.mineco.gob.pe/transferencias/gl/default.aspx

Decentralization and local governance

Peru is a unitary and decentralized republic, composed of regions, provinces, and districts (see Figure 8).[19] Regional governments have political and administrative autonomy in matters under their jurisdiction. They however lack the power to levy or collect taxes or royalties, with the exception of a service tax. Between 2007 and 2012, service taxes accounted for an average of 3.5 percent of the total revenue raised by regional governments. Municipal governments –at the district and provincial levels –have revenue raising authority and create and implement development plans within their jurisdiction. Between 2007 and 2012, own source revenue accounted for an average of 12.4 percent of the revenue of municipal governments. Sources included taxes on property, excise, vehicles, non-sport shows, and gambling.[20]

Figure 8. Regions in Peru (mineral-rich regions are shaded orange)

19 Constitution, 1993.
20 Contraloría General de la República, *Estudio del proceso de descentralización en el Perú* (UNDP, 2014), 250-254.

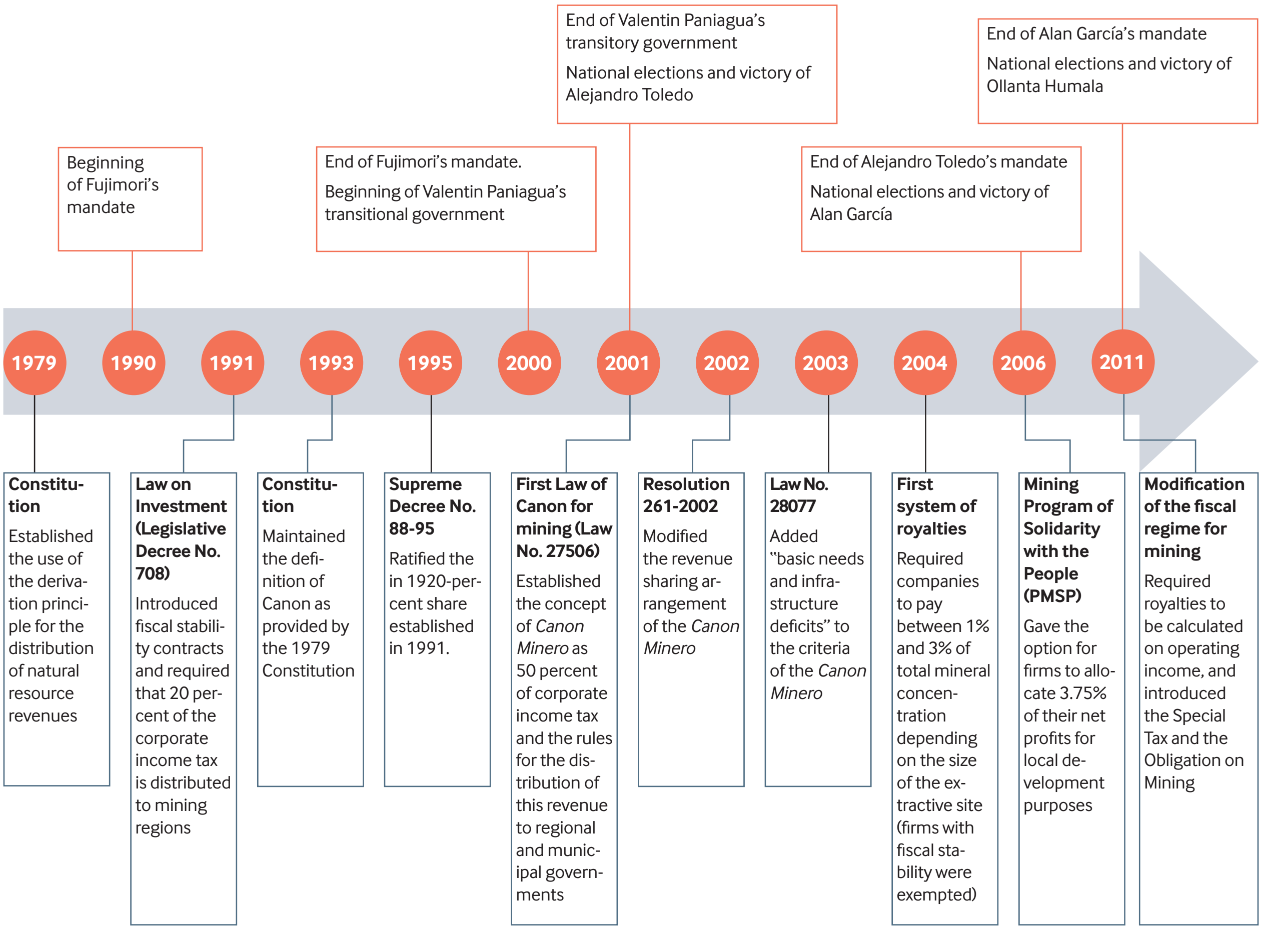
Under the mandate of President Alan García (1985–1990), the government attempted to decentralize the country by grouping the existing 25 departments into 12 regions. However, this arrangement was not passed and the proposed regions never took shape.[21]

In 1992, the successor to Alan García, Alberto Fujimori created deconcentrated administrative units (meaning that the councils executed orders from the central government[22]) called Transitory Councils of Regional Administration in each department. The discussion around decentralization re-emerged in 2001, with the end of Fujimori's mandate. In 2002, President Alejandro Toledo enacted Law No. 27783 (the Founding Law of Decentralization[23]). This law established the main principles, objectives, and criteria for a new decentralization process, as well as the main roles of the three levels of government: central, regional, and municipal. One year later, in 2003, Law No. 27972 (the Organic Law for Municipal governments[24]) further established the main responsibilities and accountability mechanisms for local governments.[25] No further significant changes have been made to Peru's municipal and regional government structures since 2003.

21 Claudia Serrano and Patricia Acosta, El proceso de descentralización en Perú, Proyecto gobernanza subnacional para el desarrollo Territorial En los andes, RIMISP ,2011. P. 6.
22 Pablo Alonso et al., 13 of Executive Summary. República del Perú; Evaluación de la Gobernabilidad Democrática. February 2007.
23 In Spanish: *Ley de Base de la Descentralización*.
24 In Spanish: *Ley Orgánica de Municipalidades*.
25 Claudia Serrano and Patricia Acosta, 6.

History of revenue sharing

Figure 9. Key facts in the history of mineral revenue sharing in Peru



The Constitution of 1979 mandated for the first time that a percentage of the revenue from exploitation of mineral resources should be allocated to mineral producing regions.[26] In 1991 Legislative Decree No. 708 or the Law on Investment stated that 20 percent of the corporate income tax is to be distributed to mineral producing regions; this was the first time that a specific figure was indicated for mineral revenue sharing.[27] In 1993, three years after becoming the president, Alberto Fujimori established a new constitution, which maintained the concept of Canon Minero. Additionally it specified that each district has the right to receive a share of the total income and profit obtained by the state from mining activities.[28] This provision would become a source of conflict a few years later and is still the subject of debate today, as the Canon Minero currently consists of a share of only corporate income tax revenue instead of being a share of total state revenue from mining. A decree passed in 1995 (Decree No. 88-95) ratified the stipulations made by Decree No. 708 by establishing that 20 percent of revenue from the corporate income tax would be shared with subnational governments through the Canon Minero.

In 2001, president Valentin Paniagua passed Law 27506 increasing the share of corporate income tax to be distributed to subnational governments from 20 percent to 50 percent. A few months after Law 27506 was published, the internal distribution of the Canon Minero was changed through Ministerial Resolution No. 261-2002. Municipal (i.e., district and province) governments of the producing province would be allocated 20 percent of Canon Minero based on their urban and rural population, municipal governments of the producing region would be allocated 60 percent based on their population, and the regional government of the producing region would be allocated 20 percent. This new allocation took population into account for the first time. The modification also implied a shift away from a system that only compensated mineral producing municipalities, to a slightly more redistributive arrangement, also covering non-producing municipalities in the producing region.[29]

26 Article 121 of the 1979 Constitution.

27 It is important to note that the Law of Investment also included benefits for mining firms operating in Peru, in a context where the government of Fujimori was trying to attract more private investment into the country. Among the benefits were fiscal, monetary, and administrative stability for private companies for up to fifteen years. This translated into a flat tax rate –the same as the one applied the day of their contract – for as long as fifteen years from signature. Of the 19 contracts with fiscal stability clauses, six ended in 2012, one in 2013, three between 2014 and 2015, and six will end between 2017 and 2021 (data for three companies were unavailable). Currently, any firm wishing to sign stability contracts must pay an additional two percent income tax. Source: Epifanio Baca Tupayachi, Estudio Sobre Marco Normativo Minero En Perú, (Grupo Propuesta Ciudadana, 2014), 21.

28 Article 77 of the 1979 Constitution.

29 According to a study from Arellano-Yanguas, the design of these changes were flawed, as the formula did not give enough weight to the proximity of the mine, which resulted in several non-producing municipal governments in producing regions receiving higher revenue than those municipal governments closest to the mining sites. The author argued that although a revenue sharing system purely based on derivation may not be optimal as it risks increasing inequality between producing and non-producing areas, low revenue transfers for producing districts are not the best option either, as they are inconsistent with the idea of financial compensation. Javier Arellano-Yanguas, *Local politics, conflict and development in Peruvian mining regions* (Institute of Development Studies, University of Sussex, 2010).

In 2003, one year after the first elections in the new regions, Law No. 28077 introduced two modifications to the distribution of the Canon Minero. Prior to the new law, money was distributed according to population. This resulted in sparsely populated and poor districts containing mining operations, such as Oyon, receiving a lower proportion of the money than highly populated areas, such as the Miraflores and San Isidro districts of Lima. The new law required that basic needs and infrastructure deficits be taken into account in addition to population. The second modification concerned the allocation of the Canon Minero between the districts and provinces. A separate 10 percent allocation was to be shared equally among all producing districts.[30] The remaining 90 percent was to be distributed on the basis of basic needs and infrastructure deficits as follows: 25 percent was allocated to district governments of the producing province with the exception of the producing district ; 40 percent was allocated to provincial governments of the producing region with the exception of the producing province; and 25 percent was allocated to the government of the producing region. One year later Law No. 28322 of 2004 introduced another change: the producing district would be included in the revenue allocation of the producing province, and the producing province would be included in the revenue allocation of the producing region. Since then no other changes have been made to the distribution of the Canon Minero revenue.

In 2004, the government of Alejandro Toledo passed Law No. 28258, which required companies to pay between one and three percent of total value of mineral concentrate depending on the size of the extraction site. This excluded artisanal and small-scale mining firms. Firms with stability contracts were also exempt from this payment. Grupo Propuesta Ciudadana (GPC), a consortium of 11 Peruvian civil society organizations, estimated foregone revenue as a result of non-payment of royalties by firms with fiscal stability contracts to be as high as $140 million in 2006.[31] Reacting to public discontent, candidates for presidency Alan García and Ollanta Humala promised in 2006 that if elected, they would create a new windfall profit tax on mining companies to capture a greater share of the profits mining companies were making due to unusually high prices of mineral commodities. However, when elected president Alan García implemented instead the Mining Program of Solidarity with the People (acronym in Spanish: PMSP) through Decree No. 071-2006, a voluntary contribution by firms.

30 Although Law No. 27506 already contained a provision whereby 60 percent would be allocated to both district and provincial governments of the producing province, such redistribution was based on population criteria and not on derivation. This new provision from Law No. 28077 required a 10 percent share to be allocated to the producing district(s).

31 GPC (2012), 8.

History of derecho de vigencia

Decree No. 014-92 in 1992[33], which constituted the main legal text for mining operations in Peru, stipulated that an annual payment had to be made by mining firms for the surface area they were using. Such payment was named the *derecho de vigencia*. The decree also contained a provision on the distribution of revenue from the *derecho de vigencia*.[34] The initial allocation criteria was 40 percent for the municipal governments where the mining site was located, 30 percent for the Geological, Mining, and Metallurgical Institute (acronym in Spanish: INGEMMET), and 30 percent for the Ministry of Energy and Mines (MINEM) and the Public Registry of Mining (distributed in equal parts) for financing the mining concessions and cadastre systems. The distribution system was slightly modified in 2000[35] and then again in 2001.[36] In 2004 Law No. 28327 was published to modify article 57 of Decree No. 014-92 and introduced another change to the distribution of the derecho de vigencia. District governments would receive 75 percent of the total revenue from the fee, while the remaining 25 percent would be allocated as follows: 10 percent would be transferred to INGEMMET, 5 percent to MINEM, and 10 percent to the National Institute of Mining Cadastre and Concessions (acronym in Spanish: INACC).[37] Finally, Law No. 29169 in 2007 required that all revenue from the derecho de vigencia previously received by INGEMMET, INACC and MINEM from small-scale and artisanal mining (total 25 percent) should be instead allocated to the governments of the mineral producing regions. The change was made in order for regional governments to carry out the functions related to the authorizations, oversight, and formalization of small-scale and artisanal mining that they took over as part of the decentralization process.

The PMSP gave the option to mining firms to allocate 3.75 percent of their net income to municipal and regional development purposes for the following five years.[37] If the companies were already paying royalties they could discount from the PMSP 64.4 percent of the amount paid in royalties.[38] PMSP contributions were not transferred to the Peruvian state but to private funds created for the purpose. These funds were managed by the companies themselves, and not by regional and municipal governments as initially prescribed by the PMSP. A total of 44 regional funds and 80 local funds were created to invest in infrastructure, education, and health and nutrition.[39]

32 Article 39 of Decree No. 014-92.
33 Article 57 of Decree No. 014-92.
34 Law No. 27341.
35 Decrees 003-2001 and 913-2001.
36 INGEMMET now carries out the functions of INACC and also receives the money previously allocated to INACC.
37 For companies to participate in the Voluntary Contribution, the following conditions had to be met: (i) companies had to sign an agreement with the state; (ii) international prices had to be above a certain reference level; and (iii) companies had to be making profits.
38 Epifanio Baca Tupayachi, 23.
39 Consultation with Gustavo Avila, from Grupo Propuesta Ciudadana (February 16, 2015).

The PMSP ended in 2011 as it was only conceived for five years, but some funds still had resources in 2014. Although it was estimated in 2006 that the PMSP would bring an additional revenue of approximately $900 million, GPC calculated it only contributed $740 million.[40] This was at least $660 million less than what companies would have paid through the windfall profit tax proposed by the presidential candidates in 2006.[41] This along with the companies' slow pace of developing projects using PMSP increased public dissatisfaction and intensified public debate on imposing a windfall tax on mining companies. Ollanta Humala won the election in 2011 and modified the fiscal regime by adding two new taxes: the special tax on mining and the special obligation on mining. He also modified the royalties' system through Law No. 29788 of 2011, which introduced a new tax base for the calculation of royalties. Instead of being computed on firms' value of sales, royalties were to be calculated on firms' operating income and would be higher for those firms having higher operating margins.

Although the government managed to slightly increase total revenue from mining operations after making the above changes in 2011, this did not translate into higher revenue transferred to subnational governments as neither the special tax on mining nor the special obligation on mining was shared. On the contrary, since both taxes as well as royalties are considered as costs for tax purposes, companies paid lower amounts of income tax, which in turn meant lower amounts of Canon Minero for subnational governments. In 2012 GPC helped regional governments advocate for reforms to the national legal and regulatory framework for oil, gas, and mining through the development of a proposal on fiscal decentralization.[42] The proposal's objective is to establish a fund financed by 25 percent of all taxes[43] collected by regions and the central government. The fund is then to be divided in five categories, each representing the top public policy priorities. Each region's allotment would be calculated according to a new formula that takes into account population size as well as investment gaps in each of the five categories. This fiscal decentralization proposal has been subject to intense debate in parliament but is yet to be passed.[44]

40 GPC (2012), 9.
41 Own elaboration from GPC data.
42 Werner Jungbluth, Spending Wisely: Helping Peruvians Manage Resource Wealth (NRGI, 2012), 8.
43 Not just corporate income taxes, but sales taxes as well.
44 Werner Jungbluth, 8.

Revenue collection and sharing

Revenue from mining in Peru largely comes from four different sources: corporate income tax; mineral royalties; the special tax on mining; and the special obligation on mining.

The corporate income tax (regulated by Decree No. 122-94 of 1994) it is imposed at a rate of 28 percent on profits of companies, and is collected on an annual basis by the National Customs and Tax Administration (acronym in Spanish: SUNAT).

The current system for mineral royalties, the special tax on mining, and the special obligation on mining were all created in 2011 through the establishment of the following legal framework:

- Law No. 29788 modified the tax base on which royalties were being calculated. The new tax base is the operating income of companies. Such modification made royalty payments become progressive, meaning that companies with higher operating margins more would pay higher amounts.[45] This modification also exempted companies with fiscal stability contracts from the payment of royalty for the duration of the contract.
- Law No. 29789 created the special tax on mining. The tax is calculated on the basis of the operating margins of companies and is progressive. Companies with fiscal stability contracts are exempted from this payment.
- Law 29790 introduced the special obligation on mining. This is aimed at companies benefiting from exemptions under fiscal stability clauses. The rate of the special obligation on mining tax depends on the operating margin of the company, and tends to be higher than the rate applied to the special tax on mining. This ensures that companies effectively 'pay' for their stabilized tax terms.

The above three taxes share certain characteristics: (i) payments are to be made on a quarterly basis; (ii) the tax base is the operating income; (iii) SUNAT is responsible for their collection; and (iv) they are considered as costs for tax purposes, meaning that they are deductible from the calculation of total corporate income tax paid by firms.[46]

Finally, the derecho a vigencia (sub-surface fee) is the annual payment that the owner of any small, medium, large, or artisanal small-scale mining concession pays for the concession area. Both exploring and producing companies pay this flat fee. The Geological, Mining, and Metallurgical Institute (INGEMMET) determines the fee based on the extension of the area and the type and scale of the activity. It then collects the fee during the first quarter of the following year.

Table 2 presents details of the current fiscal regime for mining operations in Peru.

45 GPC (2012), 9.
46 Epifanio Baca Tupayachi, 25. Estudio sobre marco normativo minero en Perú, GPC, Date of publication unknown.

Name of tax	Tax base	Tax rate	Authority collecting it	Revenue sharing in place
Corporate Income Tax (CIT)	Profit before taxes	28%	SUNAT	**Yes: 50% as *Canon Minero***
Royalty	Operating income (after 2011)	1–12% depending on operating margin (deductible from CIT)	SUNAT	**Yes**
Special Tax on Mining	Operating income	2–8% depending on operating margin (deductible from CIT)	SUNAT	No
Special Obligation on Mining	Operating income	4–13% depending on operating margin (deductible from CIT)	SUNAT	No
Derecho de vigencia	Surface area	General regime: $3/hectare Small-scale: $1/hectare Artisanal: $0.5/hectare	INGEMMET	**Yes**

Table 2. Fiscal regime for the mining sector in Peru (for the sake of simplicity, taxes from the general fiscal regime such as VAT have been omitted from this table)

The rates for royalty payments, special tax on mining, and special obligation on mining were established by Laws No. 29788, No. 29789, and No. 29790 respectively, and are presented in Table 3.

Operating margin (range in %)		Marginal rate (%)		
Lower limit	Upper limit	Royalty	Special Tax on Mining	Special Obligation on Mining
0	10	1	2	4
10	15	2	2	5
15	20	3	3	5
20	25	3	3	6
25	30	4	4	6
30	35	5	4	7
35	40	6	4	7
40	45	6	5	8
45	50	7	5	9
50	55	8	6	9
55	60	9	6	10
60	65	9	6	10
65	70	10	7	11
70	75	11	7	11
75	80	12	8	12
80	85	12	8	13
More than 85		12	8	13

Table 3. Marginal tax rate for royalty payments, special tax on mining, and special obligation on mining depending on operating margin (in percentage points)[48]

47 Law No. 29788 for Mining Royalties, Law No. 29789 for Special Tax on Mining, and Law No. 29790 for Special Obligation on Mining.

The national government shares mining revenue from corporate income tax, royalties, and the Derecho de Vigencia with subnational governments. Currently in 2015 revenue from the newly created special tax and obligation on mining are retained by the central government and are not shared.

MINERAL REVENUE SHARING

Mineral revenue sharing arrangements in Peru are largely based on the principle of derivation, i.e., the revenues from the collection of taxes on mining operations are to be allocated with a large proportion of the revenue going to provinces and districts in which mines are located. Population levels and basic needs are considered but only within the mineral producing regions.

Canon Minero

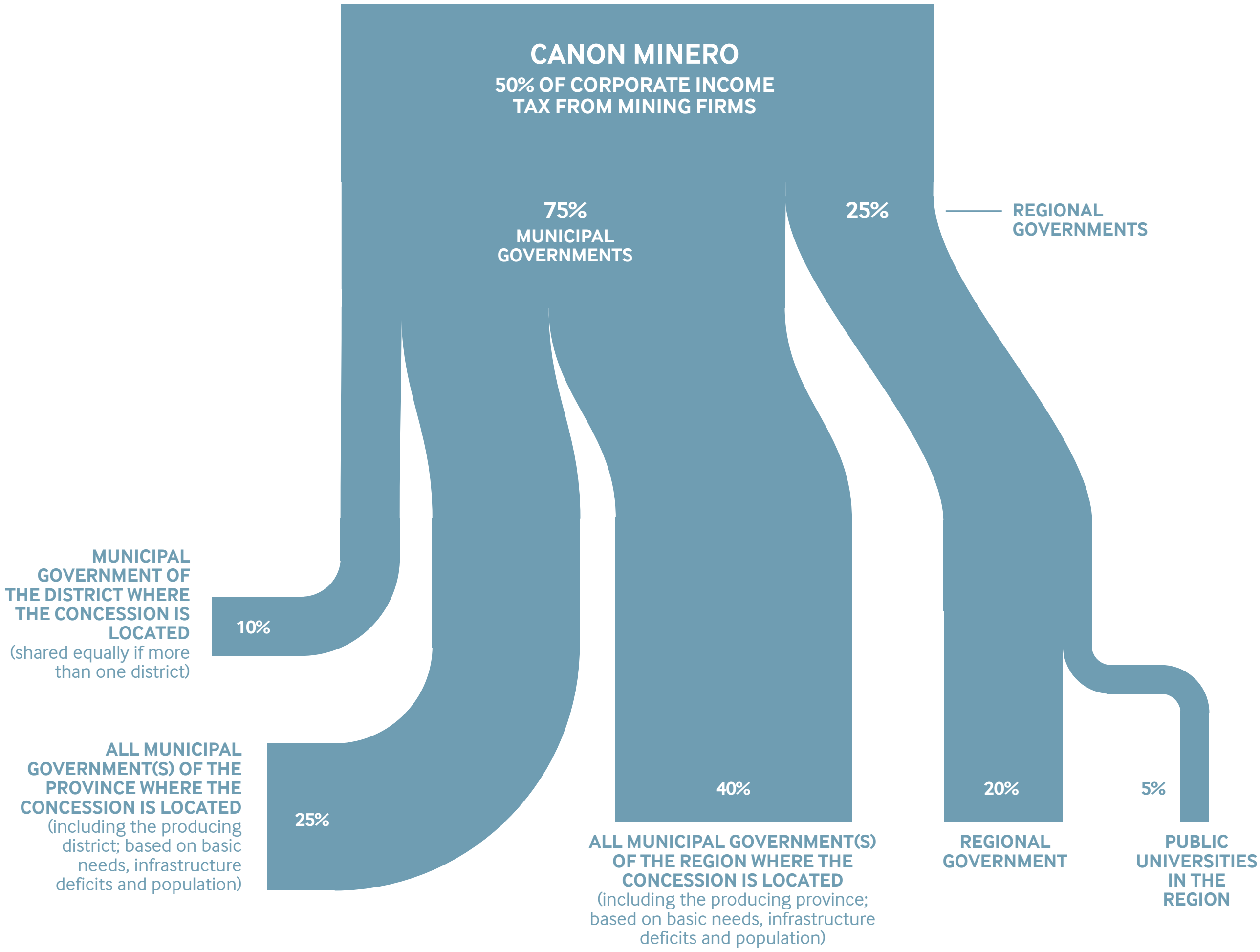
The Canon Minero's revenue allocation is calculated for each concession. Its distribution is designed in a manner that aims to benefit all municipal governments in a producing region. (See Figure 10.)[48] Derivation is the main criteria used, but population and basic needs are also taken into account when distributing the revenue to district governments of the producing province, and to provincial governments of the producing region.

The distribution of the revenue from the Canon Minero is as follows: 10 percent of the revenue is allocated to the municipal governments of the producing districts; 25 percent is allocated to all municipal governments of the producing province (including the municipal government of the producing district), based on population and basic needs; 40 percent is distributed to all municipal governments of the producing region (including the municipal government of the producing province) based on population and basic needs; and 25 percent is allocated to the government of the producing region, which retains 80 percent and allocates the remaining 20 percent to the public universities in the region.

The process of revenue collection and distribution is as follows: MINEM provides information on mining concessions and extraction volumes to SUNAT, which then informs the companies of the amount of corporate income tax to be paid–and collects the payments as well. The National Institute of Statistics and Information Technology (acronym in Spanish: INEI) provides information on subnational governments' population, infrastructure deficits and basic needs to the Ministry of Economy and Finance (MEF) which then creates distribution indexes with the data. The National Council of Decentralization (acronym in Spanish: CND) shares the revenue with municipal governments while MEF shares the revenue with regional governments.

48 Marielle del Valle, *Ingresos Fiscales por Explotación de Recursos Mineros e Hidrocarburos en Perú* (Inter-American Development Bank, IDB-PB-197, 2013), 19.

Figure 10. *De jure* revenue sharing arrangement for the Canon Minero



Mineral royalty

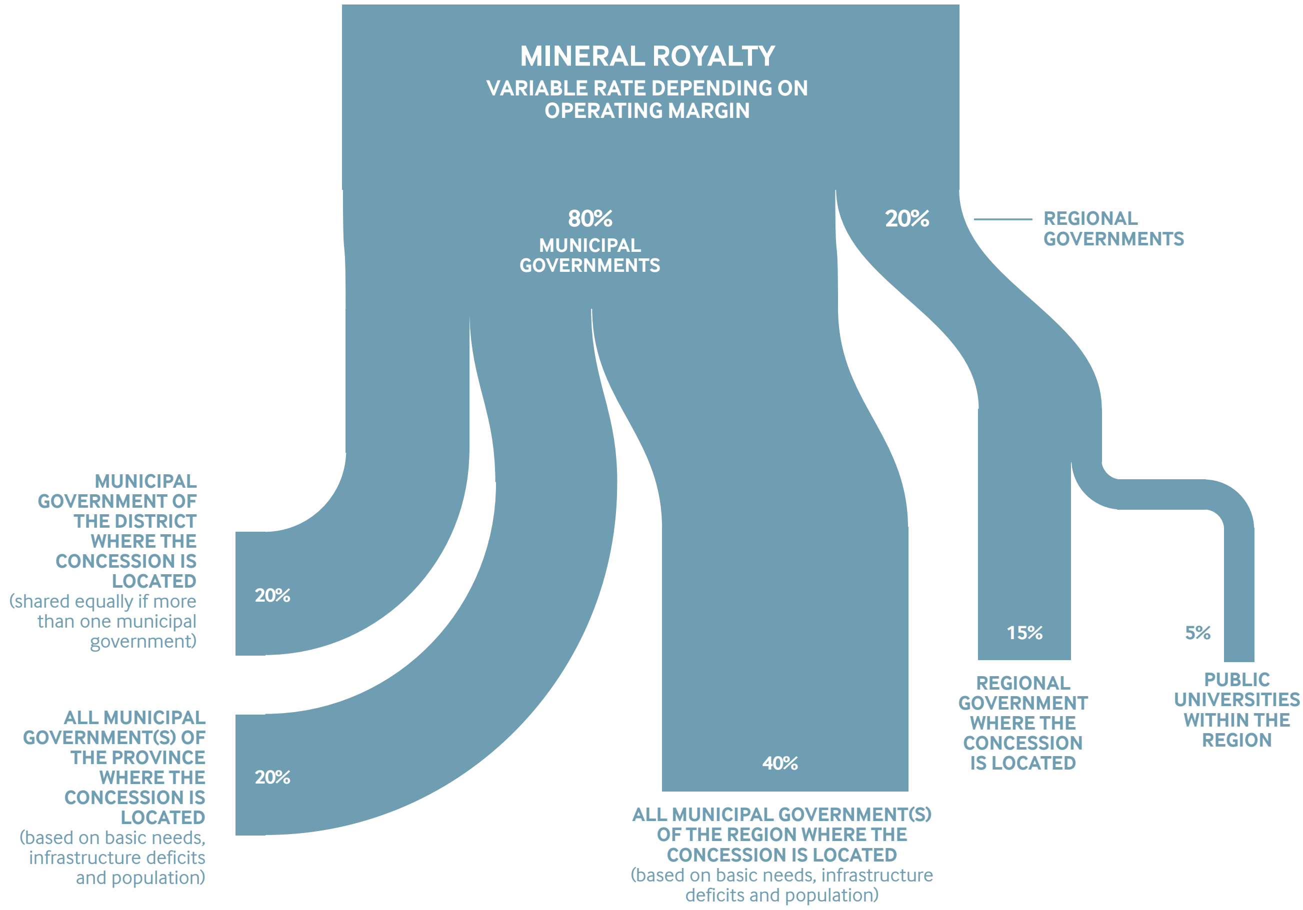
The revenue allocation of the mineral royalty is calculated for each concession. Similar to the canon, the main criteria for sharing royalty revenue is derivation. Population levels, infrastructure deficits and basic needs are criteria used for distributing the revenue across district governments of the producing province, and across provincial governments of the producing region.[49] The royalty sharing arrangement assigns a higher proportion of resources to the government of the producing district and a lower share to the government of the producing region. (See Figure 11.)

Revenue allocation is as follows: 20 percent is distributed to the governments in districts containing the mining site, 20 percent to the municipal government of the province where the concession is located (based on population and basic needs), 40 percent to the municipal governments of the regions that contains the mining site (based on population and basic needs), 15 percent to the producing regional governments, and 5 percent to the public universities within the producing regions. (See Figure 11.)

The process of mineral royalty revenue collection and sharing is as follows: on the 15th of each month, SUNAT informs MEF on the amount of mineral royalty due from the previous month for each unit of production, and gives MEF details on the specific location of the mining concession (district, province, and region). The redistribution process then follows that for Canon Minero: MINEM provides information on mining concessions and extraction volumes to SUNAT, which then informs the firms of the amount to be paid –and collects the payments as well. INEI provides information on subnational governments' population and unsatisfied basic needs to MEF which then creates distribution indexes with the data. CND then shares the royalty with municipal governments and MEF shares with regional governments.

49 Marielle del Valle, 23-24.

Figure 11. *De jure* revenue sharing arrangement for mineral royalties



The derecho de vigencia

Revenue sharing of the derecho a vigencia only benefits governments of the producing districts (see Figure 12a), which receive 75 percent of the amount collected within their boundaries. Of the remaining, INGEMMET receives 20 percent, and MINEM receives 5 percent. Revenue from the derecho de vigencia collected from small and artisanal mining operations is allocated as follows: government(s) of the producing district(s) receive 75 percent, and the government of the producing region receives 25 percent. (See Figure 12b.)

The process of revenue collection and sharing of revenue from the derecho de vigencia is as follows: INGEMMET determines the payments to be made by mining firms, depending on the area of the mining concession and the scale of the activity. Similar to the Canon Minero, the information on unmet basic needs, infrastructure deficits and population figures are given by INEI to MEF, which then determines the distribution indexes. INGEMMET then distributes the revenue to regional, provincial and district governments based on the indicators.[50]

Intergovernmental transfers

Since transfers from the Canon Minero and mineral royalties are highly unequal between producing and non-producing regions, the central government transfers higher amounts of regular resources[51] and fixed resources[52] to those district, provincial and regional governments that contain negligible or no mining operations.[53] For example, the region of Amazonas which received little or no mineral revenue from the central government, received large intergovernmental transfers ($4.8 million in 2014) compared to regional government of Moquega that received high amounts of Canon Minero and royalties in 2014 ($21.6 million) but low intergovernmental transfers ($0.7 million).[54]

50 Marielle del Valle, 46.

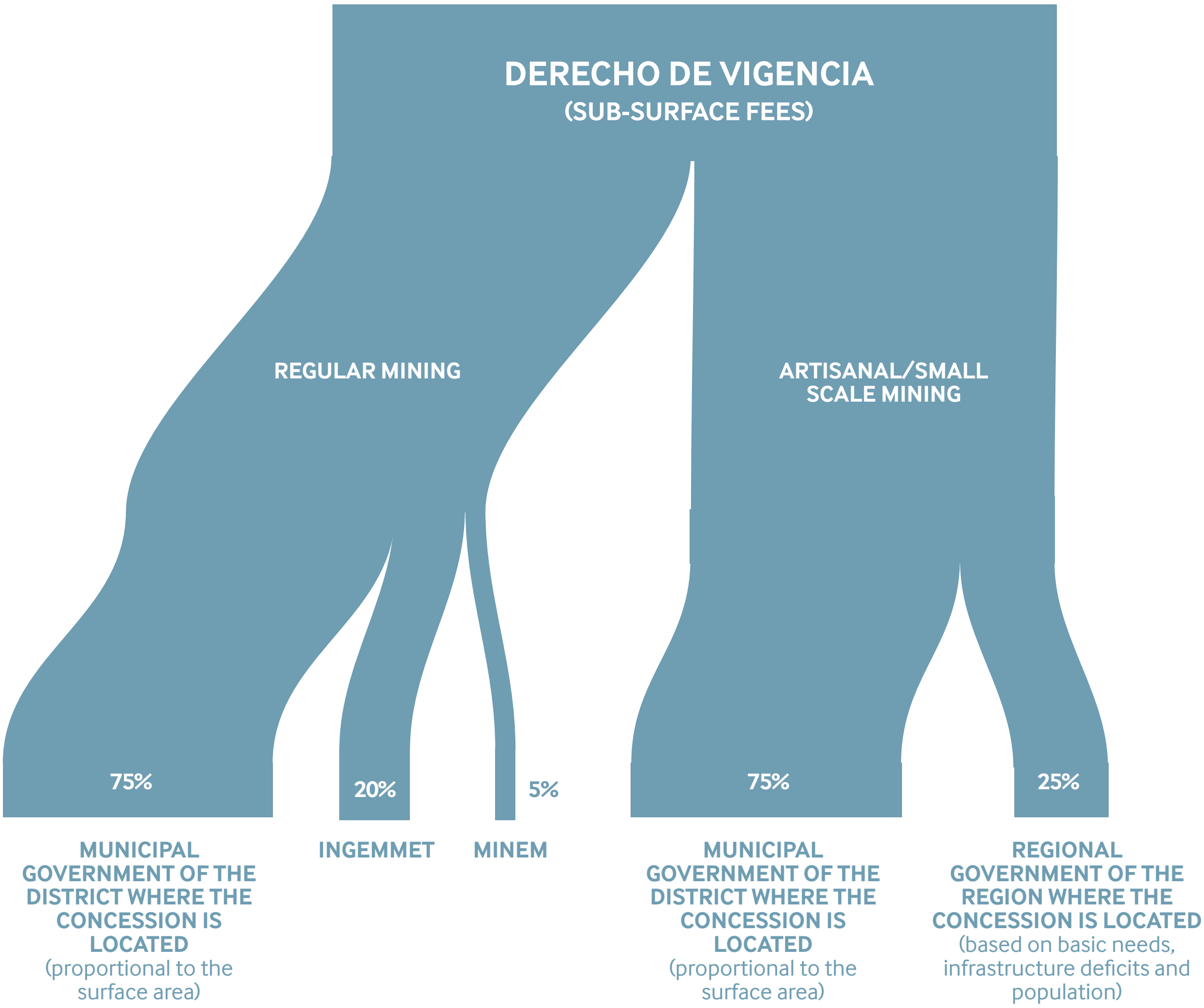
51 Regular resources are aimed at covering pension schemes and compliance with their functions.

52 Fixed resources include, among the most important ones, the Municipal Compensation Fund, the Incentive Scheme for Modernization and Improvement of Municipal Management, and Custom Duties.

53 The central government tries to balance the inequalities generated by mineral revenue, but also by the oil and gas, fishing, forestry, and hydroelectric sectors.

54 For more information on such compensation mechanism see *Informe sobre disparidades resultado de la distribucion de Canon y regalias* (Ministry of Finance, 2013), 6-8, available here: https://www.mef.gob.pe/contenidos/presu_publ/documentac/informe_disparidades_canon.pdf

Figure 12. *De jure* revenue sharing scheme for the derecho de vigencia (sub-surface fees) for regular mining and small and artisanal mining



Earmarks and use of revenue

The following section summarizes the different directives imposed by the state on use of shared revenue, and provides an overview of the use of revenue by subnational governments.

EARMARKING PROVISIONS

Transfers made from the Canon Minero, the mineral royalty, and the Derecho de Vigencia to district, provincial and regional governments are required to be used for public investment projects.[55] In the case of Canon Minero and royalties, the five percent share that is allocated to universities needs to be spent mainly on scientific and technological investigations.[56]

Canon Minero

The 2001 Canon Law stated that revenue transfers received from the Canon Minero can only be used to finance public investment projects aimed at providing universal services that benefit the community, and that are aligned with the competencies of the recipient governments. Because this implied that expenditures related to maintenance of these investment projects cannot be funded through extractive revenue –hence leading to a deterioration of the assets created – the government passed Law No. 28562 in 2006 (Law on Public Sector's Budget for the year 2005) to specifically allow up to 20 percent of the revenue received by regional governments from the Canon Minero to be used for financing maintenance works of the different infrastructure projects with local and regional impacts.[57] In November 2014 the national government, in its race to increase public spending as part of a counter cyclical strategy against the economic slowdown, increased this earmarked portion to 40 percent.[58]

Mineral royalty

Decree No. 005-2014 (2014) established that up to 40 percent of royalty payments can be used for maintenance works. Revenue from mineral royalties must be used to "finance or co-finance productive investment projects that allow the mining sector to be embedded in the economic development of each region". In the case of public universities, the resources are exclusively to be used for investing in scientific and technological research.[59] Moreover, 50 percent of the share assigned to district governments must be invested in the community where the resource is located.[60]

Derecho de Vigencia

According to Decree No. 014-92-EM (1992), as well as to Law No. 27651 (2002) and Law No. 29169 (2008), revenue from the Derecho de Vigencia must be used for investment projects, and not for government's current expenditures.[61]

55 Article 6 of Law No. 27506 for the Canon Minero, Article 9 of Law No. 28258 for royalties, and Article 1 of Law No. 28327 for the *Derecho de Vigencia*.
56 Article 4 of Law No. 28077 for the *Canon Minero*, and Article 9 of Law No. 28258 for royalties.
57 Marielle del Valle, 21.
58 Urgency Decree No. 005-2014 on additional measures to stimulate the economy, available at: http://www.mef.gob.pe/index.php?option=com_docman&task=doc_download&Itemid=0&gid=12022&lang=es
59 Marielle del Valle, 24.
60 Nury López, Canon Minero y Universidades públicas (Universidad Nacional San Agustin de Arequipa), slide 21.
61 Marielle del Valle, 26.

Table 4 provides a review of all relevant legal framework with respect to earmarking provisions for revenue from the Canon Minero, mineral royalties and derecho de vigencia.

Table 4. Earmarks on the use of shared revenue[63]

Regulatory framework	Earmarking provision
Law No. 27506 (2001), Article 6	Revenue from the canon must be used exclusively for the financing or co-financing of projects or infrastructure works that have a regional/local impact.
Law No. 28077 (2003), Article 4	Regional governments must allocate 20 percent of the revenue received from the canon to public universities within their jurisdiction, and such revenue must be used exclusively to finance scientific and technological research that promotes regional development.
Law No. 28258 (2004), Article 9	Revenue from mineral royalties must be used exclusively for the financing or co-financing of investment projects that promote the link between the mining sector and economic growth. Mineral revenue allocated to national universities must be used only for investing in scientific research. 50 percent of revenue from royalties is to be used to finance projects in the communities where the mineral is exploited.
Law No. 28322 (2004), Complementary and Final Regulations, Second Section	Municipal governments must allocate 30 percent of the 10 percent-share received from the canon to finance productive investment in the communities where the mineral is exploited.
Law No. 29289 (2009), Final Regulations, 13th Section	Municipal and regional governments are allowed to use up to 20 percent of revenue from the canon and mineral royalties for financing projects and their maintenance, and prioritizing basic infrastructure. Public universities that receive revenue from the canon and mineral royalties can use it for financing and co-financing scientific research related to public health and prevention of endemic illness, agricultural health, biodiversity preservation, and use of renewable energy and educational projects.
Supreme Decree 005-2014	Regional and municipal governments as well as public universities can use no more than 40 percent of the revenue received from the canon and mineral royalties to finance the maintenance of investment projects.
Decree No. 014 (1992)	Revenue from the derecho de vigencia allocated to MINEM and to the cadastre should be used for the maintenance and development of the system of concessions and mining cadastre, as well as for the information system for metallurgical mining.
Law No. 28327 (2004)	Seventy-five percent of the revenue collected by the district from the derecho de vigencia should be used for the investment and development programs within their jurisdiction.
Law No. 29169 (2008)	Regional governments that receive revenue from the derecho de vigencia from artisanal and small-scale mining (25 percent) have to use such funds for financing the responsibilities acquired in the process of decentralization, and in particular those related to environmental protection.

Use of revenues

Several studies looking into spending of canon and royalty payments by regional and municipal governments indicate underutilization of revenues. For example a 2012 study undertaken by the state revealed that regional governments utilized 65 percent of Canon Minero and royalty revenue in 2011.[63] Similarly, research on university spending indicates most of the spending is in financing infrastructure and equipment rather than research activities. This study cites several reasons for the lack of spending on research activities by universities: weak institutional governance; low research capacity in public universities; ambiguous university and research policies; and bureaucratic organization of research activities.

62 Beatriz Boza Dibos, *Canon Minero: ¿Caja Chica o Palanca para el Desarrollo?* (Ciudadanos al Día, 2006), 91.
63 Contraloría General de la República, Distribución y Utilización de los Recursos del Canon, Sobrecanon, Fondo de Desarrollo Socioeconómico del Proyecto Camisea y Regalía Minera en el Perú (Congreso Peru, 2012), p. 58. For additional research see: Epifanio Baca, Vicente Sotelo, *Lo que debemos saber acerca del Canon y la Regalia Minera* (GPC, Cartilla Informativa, 2011), 10. Epifanio Baca et al., *Informe De Ingresos Y Gastos Por Canon Minero Y Regalías Mineras* (GPC, 2015), 6-8.

Impact of revenue sharing

There is no comprehensive study on the impact of revenue sharing on development at the local level. Surveyed research seems to indicate mostly negative impacts especially of Canon Minero at the local level, but provides narrow analyses on selected geographic areas or looks only at specific impacts. According to GPC, the following signs of local resource curse are evident in subnational governments receiving excessive revenue transfers from central governments: increase in corruption of public works; increase in the political dispute between rival groups; higher levels of patronage; deterioration of governance; and excessive public spending that distorts salaries and affects agriculture.[64]

A recent study by Crabtree (2014) on the local impact of Canon Minero suggests that the Canon system tends to create perverse incentives that discourage open and democratic government. The author examines experiences in four provinces of Cusco and shows how, in the absence of a robust civil society, excessive funding tends to encourage clientelism and corruption rather than accountable and transparent administration at the local level.[65]

In his work Local politics, conflict and development in Peruvian mining regions in 2010, Arellano-Yanguas observes that changes in the levels of Canon Minero transfers to subnational governments affected levels of conflict in Peru. More specifically, per capita level of these transfers best explained cross-section and time series changes in the incidence of social conflict.[66] His findings reveal that increase in mineral prices and the consequent increase in Canon Minero transfers have had a tendency to multiply the incidences of conflict in mining regions that receive large amounts of revenue from the Canon Minero.[67] In a similar vein, Ponce and McClintock (2014) look into the reasons why protests arise mostly in the areas of natural resource extraction, by analyzing data for the period 2004–2009 and LAPOP[68] survey data from 2010. The authors conclude that social conflict is provoked by both the negative externalities of mining, such as environmental impacts, but also by revenue from mining.[69]

64 Epifanio Baca, *Transparencia Y Vigilancia Ciudadana. De La Generación Y Uso De Renta De Las I.E.: Balance Y Perspectivas* (Grupo Propuesta Ciudadana), slide 14.
65 John Crabtree, *Funding Local Government: Use (and Abuse) of Peru's Canon System* (Bulletin of Latin American Research, 2014).
66 Javier Arellano-Yanguas, 89-91.
67 Javier Arellano-Yanguas, 106.
68 The Latin America Public Opinion Project or LAPOP is the premier academic institution carrying out surveys of public opinion in the Americas, with over 30 years of experience. For more information see: http://www.vanderbilt.edu/lapop/
69 Aldo F. Ponce and Cynthia McClintock, *The Explosive Combination of Inefficient Local Bureaucracies and Mining Production: Evidence from Localized Societal Protests in Peru* (Latin American Politics and Society, 2014).

Disclosure of revenue sharing

Revenue transparency at the national, regional and municipal levels is a crucial requirement for subnational governments to know what they are owed, to resolve conflicts and to ascertain impact.

In general, updated information on legal instruments with a bearing on revenue sharing (including the Constitution, government laws, decrees, and specific rules) are available on government websites. However, the formula used for calculating the indexes of redistribution of the Canon Minero and royalty for municipal and regional governments is not directly stated in the law. Also the indexes do not provide disaggregated information on the calculation of each factor used to determine shares (basic needs, infrastructure deficits and population).[70]

DISCLOSURE OF TRANSFERS BY THE NATIONAL GOVERNMENT

The Transparency Portal of MEF discloses all transfers made to subnational governments (regional and municipal levels), as well as their expenditures on a monthly basis.

- Information on transfers can be accessed at apps5.mineco.gob.pe/transferencias/gl/default.aspx. The information can be accessed by level of government (regions, provinces, and districts), the type of resource revenue shared, as well as the year and month of transfer. Figure 13 shows a screenshot of information on canon payments made to regions in 2014.[71]

Figure 13. Disclosure of Canon Minero transfers to regional governments (2014)

Transparencia Económica PERU

Consulta de Transferencias a los Gobiernos Nacional, Regional, Local y EPS

Portal del MEF > Portal de Transparencia > Transferencias

martes, 27 de octubre del 2015

Cuadros Resumen | Mancomunidad | EPS | Gobierno Nacional | Gobiernos Regionales | Gobiernos Locales

Atras | Inicio | Exp. a Hoja de Cálculo | RECURSOS AUTORIZADOS | Año: 2014

	Monto Autorizado	Monto Acreditado
2014 : TOTAL	3,945,604,339.90	3,945,604,339.90
2014 Fuente de Financiamiento 5 : RECURSOS DETERMINADOS	2,598,377,838.76	2,598,377,838.76
2014 Recurso 090 : CANON MINERO	744,647,670.42	744,647,670.42

Pliego	Monto Autorizado	Monto Acreditado
440 : GOBIERNO REGIONAL AMAZONAS	2.38	2.38
441 : GOBIERNO REGIONAL ANCASH	183,802,820.17	183,802,820.17
442 : GOBIERNO REGIONAL APURIMAC	584,311.03	584,311.03
443 : GOBIERNO REGIONAL AREQUIPA	95,801,142.15	95,801,142.15
444 : GOBIERNO REGIONAL AYACUCHO	787,745.49	787,745.49
445 : GOBIERNO REGIONAL CAJAMARCA	87,867,700.72	87,867,700.72
446 : GOBIERNO REGIONAL CUSCO	25,194,257.08	25,194,257.08
447 : GOBIERNO REGIONAL HUANCAVELICA	850,795.11	850,795.11
448 : GOBIERNO REGIONAL HUANUCO	31,378.26	31,378.26
449 : GOBIERNO REGIONAL ICA	58,662,799.88	58,662,799.88
450 : GOBIERNO REGIONAL JUNIN	8,050,732.97	8,050,732.97
451 : GOBIERNO REGIONAL LA LIBERTAD	88,652,664.21	88,652,664.21
452 : GOBIERNO REGIONAL LAMBAYEQUE	269.56	269.56
454 : GOBIERNO REGIONAL MADRE DE DIOS	197,265.81	197,265.81
455 : GOBIERNO REGIONAL MOQUEGUA	63,012,034.64	63,012,034.64
456 : GOBIERNO REGIONAL PASCO	16,027,003.56	16,027,003.56
457 : GOBIERNO REGIONAL PIURA	1,035,108.81	1,035,108.81
458 : GOBIERNO REGIONAL PUNO	43,702,832.95	43,702,832.95
459 : GOBIERNO REGIONAL SAN MARTIN	213,253.09	213,253.09
460 : GOBIERNO REGIONAL TACNA	56,700,389.07	56,700,389.07
463 : GOBIERNO REGIONAL LIMA	12,147,853.26	12,147,853.26
464 : GOBIERNO REGIONAL CALLAO	659.16	659.16
465 : MUNICIPALIDAD METROPOLITANA DE LIMA	1,324,651.06	1,324,651.06

- Information on subnational expenditures can be accessed at apps5.mineco.gob.pe/transparencia/mensual/default.aspx?y=2014&ap=ActProy. Information on subnational expenditures can be accessed by level of government (regional or municipal, and within municipal, district or province), the type of resource spent, and the sectoral area on which the resource is being spent (such as education or energy). It is also possible to obtain this data at a more disaggregated level. The figure below displays the expenditures made by the Cajamarca Province by project.

70 Resource Governance Index, 5.2.1.065.
71 Loreto, Tumbes, and Ucayali regions are not displayed as they did not receive any revenue.

Figure 14. Disclosure of subnational spending by Cajamarca Province by project (2014)[73]

Transparencia Económica PERU

Portal del MEF | Portal de Transparencia Económica

Consulta de seguimiento
de ejecución de Proyectos de Inversión

martes, 27 de octubre del 2015

Navegador

Reiniciar | Exportar | Año 2014

¿Quién gasta? Municipalidad | ¿En qué se gasta? Función | ¿Con qué se financian los gastos? | ¿Dónde se gasta? Departamentos

Proyecto	Costo	Ejecución al año 2012	Ejecución año 2013	2014 PIA	2014 PIM	2014 Devengado	2014 Avance %	Ejecución Total	Avan % Total
TOTAL		49,869,977,237	25,920,159,529	25,179,043,293	40,344,771,923	31,640,136,769	78.4	107,430,273,535	
Nivel de Gobierno M: GOBIERNOS LOCALES		11,942,349,545	10,530,526,204	7,037,260,018	18,964,671,270	13,716,347,637	72.3	36,189,223,387	
Fuente de Financiamiento 5: RECURSOS DETERMINADOS		8,577,763,998	6,861,781,691	6,818,193,601	12,032,368,517	9,095,311,611	75.6	24,534,857,299	
Rubro 18: CANON Y SOBRECANON, REGALIAS, RENTA DE ADUANAS Y PARTICIPACIONES		7,328,228,767	5,991,329,735	5,489,413,657	9,998,510,237	7,554,330,876	75.6	20,873,889,378	
Departamento 06: CAJAMARCA		398,195,065	338,276,032	332,831,744	653,079,151	499,341,524	76.5	1,235,812,620	
Provincia 0601: CAJAMARCA		127,058,220	101,211,186	105,978,857	179,449,785	140,227,886	78.1	368,497,292	
2000028: APOYO A LA COMUNICACION COMUNAL		70,673	2,800	50,000	0	0	0.0	73,473	
2000032: APOYO A LA PRODUCCION AGROPECUARIA		1,725,193	104,515	1,156,643	1,589,622	1,486,655	93.5	3,316,363	
2000229: ELECTRIFICACION RURAL		980,124	505,921	250,000	320,816	125,097	39.0	1,611,143	
2000405: PROMOCION INDUSTRIAL		1,243	0	0	35,500	35,500	100.0	36,743	
2000437: REFORESTACION		18,526	52,900	0	75,065	60,046	80.0	131,472	
2001383: CONSTRUCCION Y EQUIPAMIENTO DE CENTROS EDUCATIVOS		0	0	600,000	215,975	215,226	99.7	215,226	
2001621: ESTUDIOS DE PRE-INVERSION		1,956,384	5,703,600	4,103,764	7,613,967	5,331,310	70.0	12,991,294	
2002632: CONSTRUCCION DE LOCALES MUNICIPALES		60,726	110,390	0	22,617	20,246	89.5	191,362	
2003071: AMPLIACION DE SISTEMA DE ABASTECIMIENTO DE AGUA POTABLE		8,750	0	0	950	950	99.9	9,700	
2003101: AMPLIACION DE SISTEMA DE ALCANTARILLADO			9,067	0	32,000	31,960	99.9	41,027	
2003130: AMPLIACION DE CEMENTERIO MUNICIPAL			0	0	1,100	0	0.0	0	
2003140: AMPLIACION DE CENTROS DE SALUD			0	2,162,389	270,317	11,000	4.1	11,000	
2004388: CONSTRUCCION DE LETRINAS		71,074	56,943	0	180,300	159,110	88.2	287,128	
2004860: CONSTRUCCION DE CAMINOS VECINALES Y RURALES			0	16,349,383	35,869	14,989	41.8	14,989	

Buscar Item | Buscar por código | Buscar por descripción | ¿Cómo buscar?

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- MINEM also publishes information on voluntary contributions and social funds by company and project. It is unclear how often this information is updated. Information on socialfunds is available at www.minem.gob.pe/descripcion.php?idSector=3&idTitular=3610&idMenu=sub2539&idCateg=815. Information on voluntary contributions is available at www.minem.gob.pe/descripcion.php?idSector=3&idTitular=1176&idMenu=sub1175&idCateg=487.

Disclosure of transfers by subnational governments

Regional governments do not disclose comprehensive information on resource revenue received and spent. A couple of exceptions are the regional government of Piura[73] which discloses detailed information updated daily on receipt and spending through its transparency portal and the regional government of Moquega[74] which discloses details of its investment projects on its website, also updated daily.

72 Transparency Portal of MEF.
73 For more specific information see: http://www.regionpiura.gob.pe/index.php?pag=3; and http://www.regionpiura.gob.pe/documentos/resumen_fte_fto_1trimestre2015.pdf
74 http://www.regionmoquegua.gob.pe/web13/resumen/enejecucion.html

Final remarks

Overall, Peru has a complex and complicated system for sharing mining revenue that is the result of several incremental changes to address public concerns that arose from previous taxation and distribution arrangements. Mineral revenue in Peru is shared with both municipal and regional governments, with revenue from the Canon Minero and royalty payments constituting the major part—93.4 percent in 2014—of the revenue sharing. The distribution of revenue is primarily based on the principle of derivation, meaning that those districts, provinces and regions that contain mining sites within their boundaries are the main beneficiaries of the transfers from the central government. According to the law, provinces and districts in producing regions should receive most of the revenue from mining operations: 95 percent of the revenue from both the Canon Minero and royalties is transferred to both producing and non-producing provinces and districts within producing regions. The remaining 5 percent is allocated to universities within the producing regions. This creates a high heterogeneity of mining revenue transfers between producing and non-producing regions and between municipal governments in producing and non-producing regions. The resulting imbalances are partly countered by regular intergovernmental transfers.

Given the mining sector's potential to yield significant revenue for the Peruvian state, there has been a long standing debate in the country on the fairness of the fiscal regime applied to the industry and associated revenue sharing. Subnational governments have traditionally advocated an increase of mining transfers from the central government. However, since 2012, the main revenue shared—Canon Minero—has decreased significantly: in 2012 canon payments amounted to a total of $1,588 million;, in 2013 they amounted to $1,183 million (a decrease of 26 percent compared to 2012; and in 2014 they amounted to $923 million (a decrease of 42 percent compared to 2012).[75] This decrease is not only due to the deduction of the two new taxes from the calculation of the income tax, but also because of price decrease of some minerals (which started in 2012) and, in some cases, to the lower extraction volume in some of Peru´s regions.[76]

This fall in resource revenue has had a direct impact on regional investments. Until 2008, 14 out of 25 regional governments financed at least 40 percent of their investments through extractive revenue.[77] However, largely due to the above-mentioned fall in Canon Minero, only 11 regional governments in 2012, and 9 in 2013 financed their investments through such transfers from the extractive industries.[78]

In terms of transparency, all regulation concerning mineral revenue as well as transfers and regional and municipal spending are available on the transparency portal of MEF. At the subnational level however, only the governments of Piura and Moquega disclose information on revenue received from the central government and expenditure on different projects.

In terms of impact, additional research that looks at the comprehensive effects of revenue sharing in Peru is needed to complement existing analyses.

75 Transparency Portal of MEF.
76 Gustavo Ávila P., *El canon para las regiones. ¿Hacia un nuevo escenario?* (DESCO Peru, 2014), 269.
77 Including revenue from oil and gas. Source: Gustavo Ávila P. (2014), 269-270.
78 Gustavo Ávila P. (2014), 269-270.

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