

# Peru: Public Finances and the Fiscal Council

10th Annual Meeting of the OECD Network of Parliamentary  
Budget Officials and Independent Fiscal Institutions (PBO)

**Waldo Mendoza**  
President

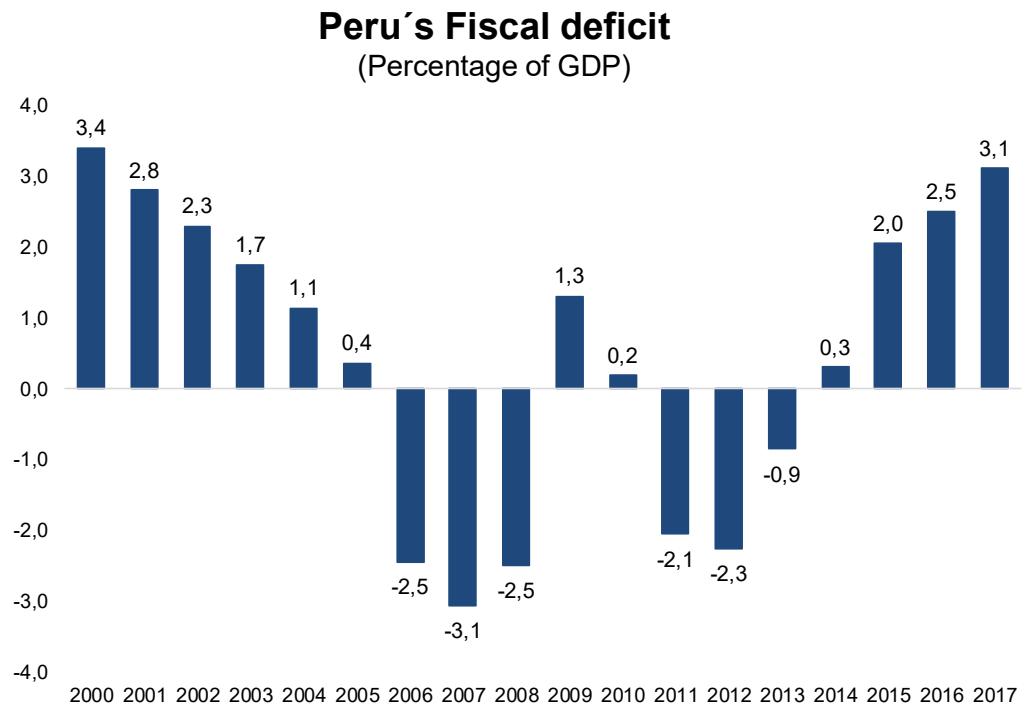
Seoul, Korea  
4 July 2018

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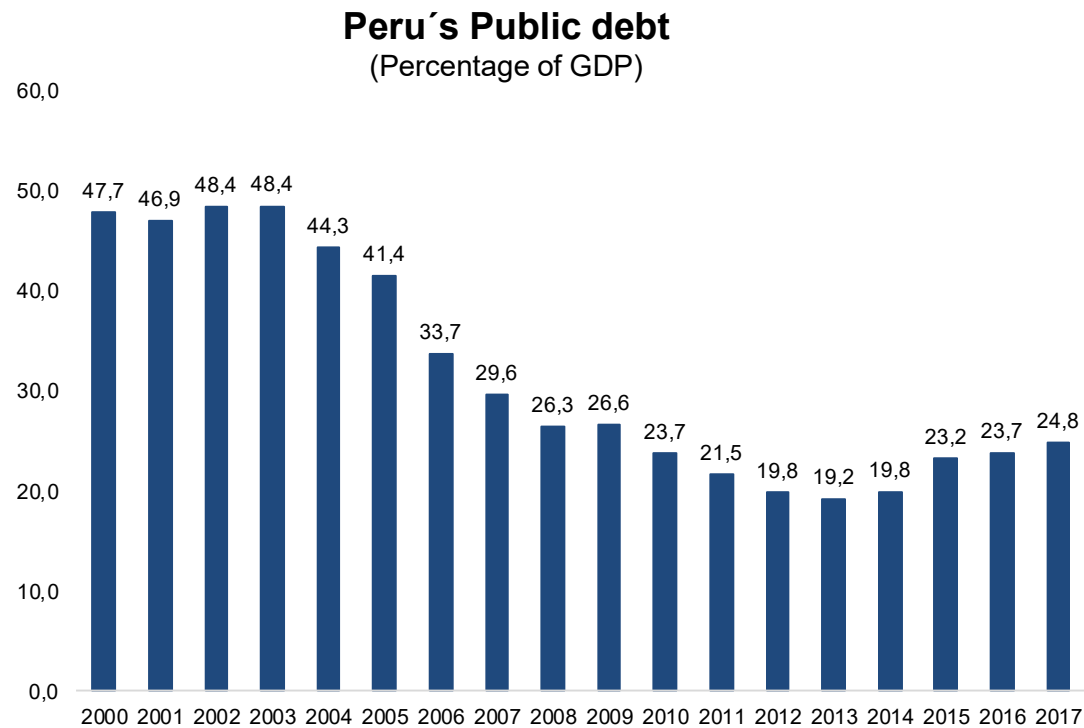
# Peru and LATAM Public Finances

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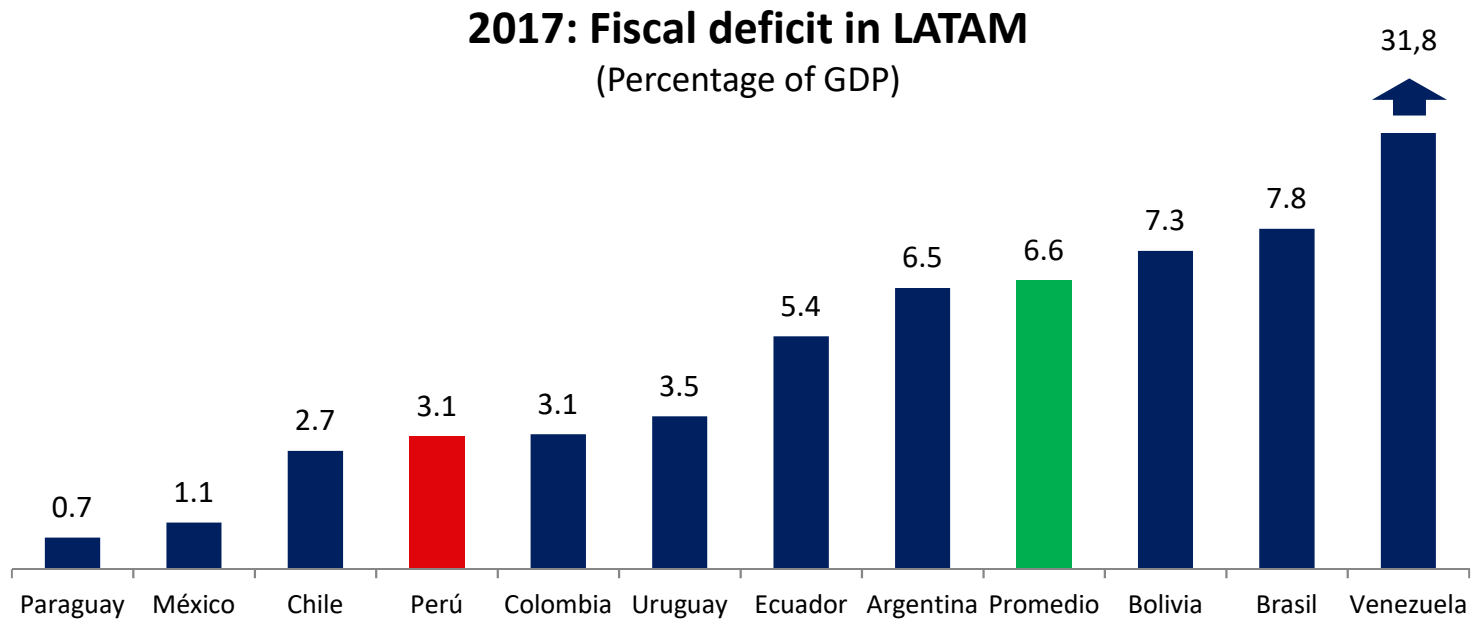
Source: Central Bank.

# Peru and LATAM Public Finances



Source: Central Bank.

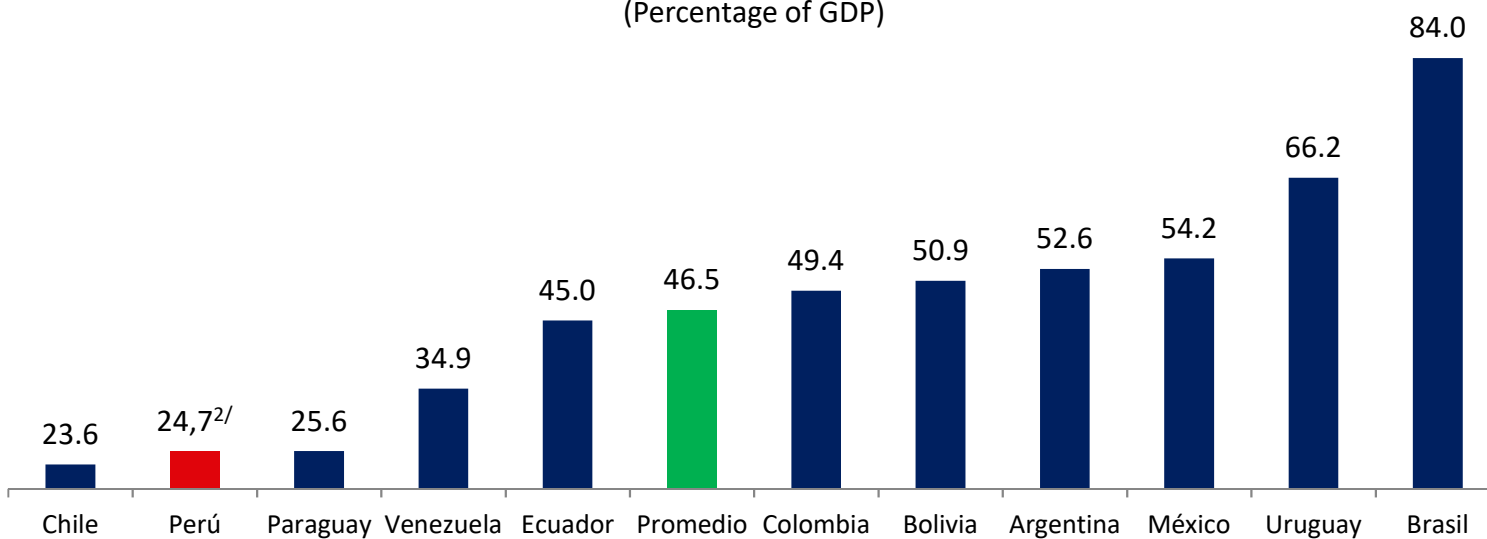
# Peru and LATAM Public Finances



Source: IMF.

# Peru and LATAM Public Finances

2017: Public debt<sup>1/</sup> in LATAM  
(Percentage of GDP)



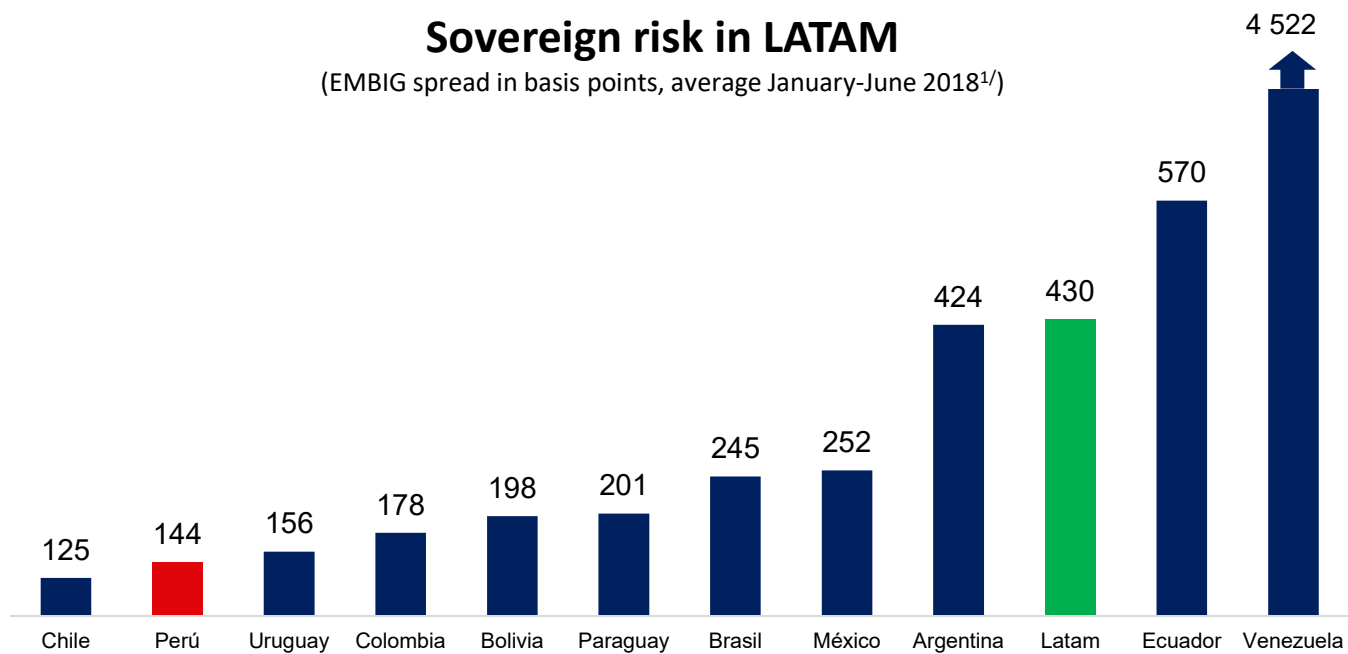
1/ General Government, except for Peru.

2/ Non-Financial Public Sector

Source: IMF.

# Peru and LATAM Public Finances

**Sovereign risk in LATAM**  
(EMBIG spread in basis points, average January-June 2018<sup>1/</sup>)



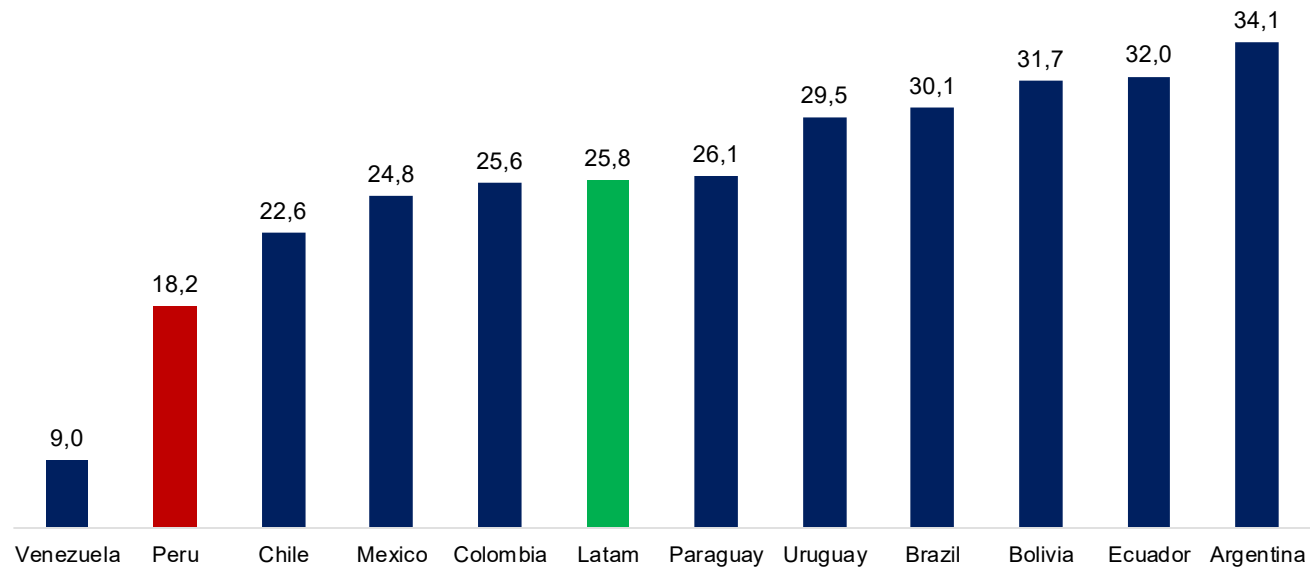
1/ Up to June 07, 2018.

Source: Bloomberg.



# Peru and LATAM Public Finances

2017: General government revenues  
(Percent of GDP)



Source: IMF.

# The Peruvian Fiscal Council

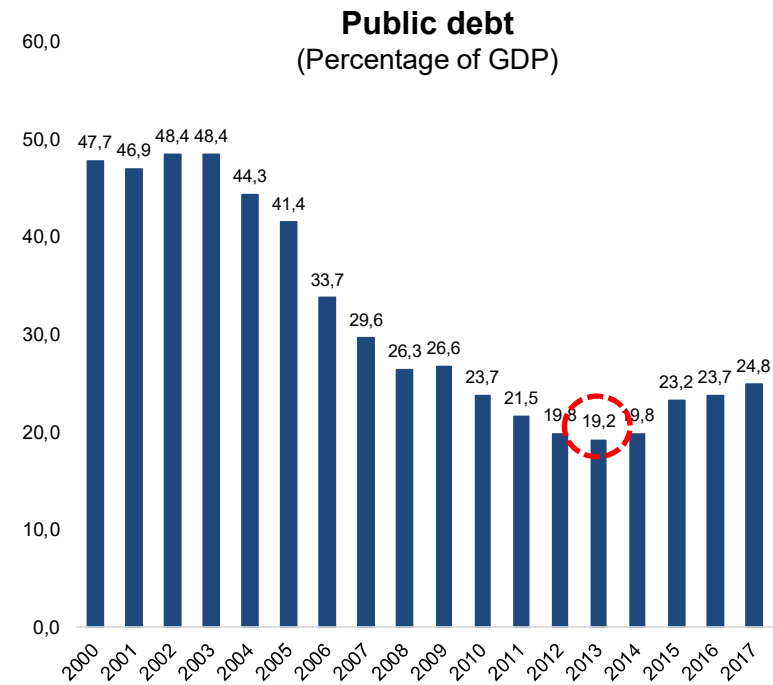
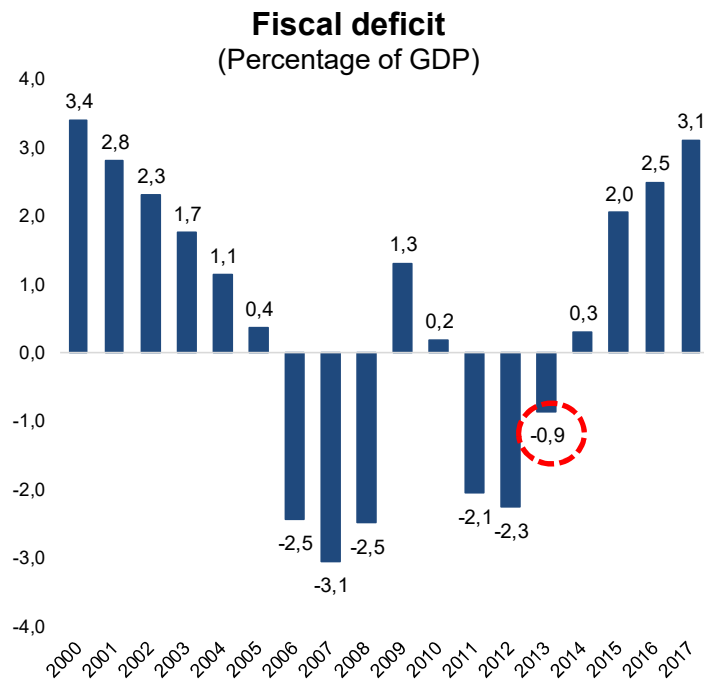
# The Peruvian Fiscal Council

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- More countries have established fiscal councils after the last financial crisis (2008).
  - ✓ Many governments established fiscal councils to strengthen the fiscal institutional framework and boost credibility.
  - ✓ In the EU, law mandated member states to task independent bodies to produce or assess the forecasts underlying budget preparation and to monitor the compliance with fiscal rules.
- There was no economic crisis in Peru when our Fiscal Council were set up (in 2013):
  - ✓ Fiscal balance achieved a surplus (+0,9% of GDP).
  - ✓ The debt ratio dropped to a historic low in that year (19,2% of GDP).

# The Peruvian Fiscal Council

## Fiscal context in Peru when the Fiscal Council was created (in 2013)



Source: Central Bank.

## The Peruvian Fiscal Council

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The Fiscal Council began its activities in January 2016.

The main function is to issue non-binding assessments on the macroeconomic projections and the main macro-fiscal policies of the Peruvian government.

## Compatibility with IFI's functions according to OECD

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The Peruvian Fiscal Council has the following functions:

	YES	NO
Long-term fiscal sustainability	X	
Forecast preparation		X
Forecast assessment	X	
Monitoring compliance with fiscal rules	X	
Support legislature in budget analysis		X
Role in costing specific policies		X
Normative analysis		X

Note: This table was produced based on Peruvian laws and the information provided in the Database of "Independent Fiscal Institutions" (OECD 2017).

# The Peruvian Fiscal Council

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- The Fiscal Council issues non-binding assessments on the following matters:



*Assessments of official Macroeconomic projections.*



*Evolution of public finances.*



*Modification and compliance with fiscal rules.*

## The Peruvian FC is an autonomous entity established by law.

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**Members of the board:** *5 well-known and independent economists with more than 10 years of proven experience in fiscal and macroeconomic matters.*



**Staff:** *own staff with full-time positions.*



**Access to information:** *access to relevant information from the government (guaranteed by law).*



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