

The contents of this document are preliminary and subject to change.
--

GRAY/07/2090

June 26, 2007

**Statement by Mr. Kiekens and Mr. Veziroglu on Peru
(Preliminary)
Executive Board Meeting 07/55
June 27, 2007**

We thank the staff for a very good Report and Mr. Silva-Ruete for his informative Buff statement.

We commend the Peruvian authorities for the impressive macroeconomic performance under the Stand-By Arrangement which is evidenced by the record-high growth, low level of inflation and favorable external account.

It is also noteworthy that the Peruvian authorities were able to implement the structural reforms successfully. These reforms will lead to a significant transformation in several areas which will put the Peruvian economy on a more sound footing and would help the poor. The authorities must ensure that the poor also benefit from the country's strong growth.

Given the fiscal overperformance and the authorities' proven good track-record, we support their policy to allow Sub-National Governments to use *canon minero* resources for spending in the education sector, which is seriously needed.

Since we agree with the thrust of the Staff Report, we will make only one comment on the general policy approach.

Peru has benefited from and achieved outstanding success under the continued low access precautionary arrangement. However, it is important that the authorities do not become complacent and maintain sound macroeconomic polices. Now the challenge is to make the economy more resilient to external shocks, especially to the sudden changes in commodity prices. Thus far, favorable commodity prices were the main drivers behind the strong growth in Peru.

We wish the authorities continued success.