

Yen Loans to Contribute to Poverty Reduction, Rural Development and Social-Economic Development in Peru

OECF (President, Chairman of the Board, Akira Nishigaki) is providing the Republic of Peru with Loans for five projects: Sierra Poverty Alleviation and Natural Resources Management Project, Rural Highway Rehabilitation and Improvement Project (II), Pomacocha-Rio Blanco Water Resource Transfer Project (MARCA II), Electric Frontier Expansion Project (I) and Social Sector Development Project in Amazon Area, amounting in total to 42,617 million yen. The Loan Agreement was signed today by H.E. Mr. Víctor ARITOMI Shinto, Ambassador Extraordinary and Plenipotentiary to Japan of the Republic of Peru, and Mr. Akira Nishigaki, OECF's President, Chairman of the Board. As a result, the cumulative total for OECF loan commitments to the Republic of Peru now stands at 232,527 million yen (22 commitments). The amounts and conditions of the Loans are as follows:

1. Loan Amount and Conditions

Project	Amount (Mil. Yen)	Interest Rate (% p.a.)	Repayment Period /Grace Period (years)	Tying Status
Sierra Poverty Alleviation and Natural Resources Management Project	5,677	2.5 (2.1)*	25/7	General-Untied
Rural Highway Rehabilitation and Improvement Project (II)	9,184	2.7 (2.3)*	25/7	General-Untied
Pomacocha-Rio Blanco Water Resource Transfer Project (MARCA II)	11,640	2.5 (2.1)*	25/7	General-Untied
Electric Frontier Expansion Project (I)	10,140	2.7 (2.3)*	25/7	General-Untied
Social Sector Development Project in Amazon Area	5,976	Economic Infrastructure 2.7 Sanitation Infrastructure 2.5	25/7	General-Untied
Total	42,617			

* Consulting service

2. Project Description

1. Sierra Poverty Alleviation and Natural Resources Management Project

(1) Need for the project

Production in the Sierra region mainly comprises potatoes, corn and livestock, with very low productivity, because of the climate, topography, irregular rainfall and the use of traditional production technology. Poverty is still widespread in the Sierra region, with it being estimated that the poor account for two-thirds of all Sierra households. The government has elaborated a strategy for the 21st century including poverty alleviation and Sierra natural resources management. As part of this strategy, it is essential to introduce sustainable, high-productivity agriculture in the Sierra by implementing this project with the active participation of the local rural communities.

(2) Content of the project

The purpose of this project is to alleviate poverty and manage natural resources effectively by implementing the following project components for farming communities in about 125 small watershed areas of the Sierra in the seven (7) departments of Cajamarca, La Libertad, Ancash, Lima, Pasco, Ayacucho, Apurimac. (The project is to be implemented over a period of six (6) years, at a total cost of around 10.5 billion yen.)

1. Identification and planning of soil conservation activities and water resources development for each of the small watershed areas.
2. Rural investment, including soil conservation, small-scale irrigation works, afforestation, etc., in accordance with the established plan.
3. Strengthening of rural people's organization, including training and technical assistance for communities to enable them to attain an autonomously managed economy.
4. Execution and monitoring of the project by PRONAMACHCS, including training and equipment for PRONAMACHCS.
5. Consulting services, including technical assistance for planning and designing of rural investment subprojects.

(3) Effect of the Project

The Project is expected to boost agricultural productivity and give effective and sustainable natural resources (forest, soil, water) management. The project will improve the living conditions and quality of life in rural communities and contribute considerably to eliminating the serious poverty-related problems, also helping to protect the natural environment.

(4) Implementation

A similar project in parallel with this project is being implemented with assistance from the World Bank in other targeted Sierra departments. Both projects call for Sierra rural communities to participate closely in Sierra the project planning and executing process.

The Borrower is the Republic of Peru. The Executing Agency is the National Project for the Management of Watershed Basins and Soil Conservation, Ministry of Agriculture (PRONAMACHCS: Proyecto Nacional de Manejo de Cuencas Hidrograficas y Conservacion de Suelos, Address; Jiron Cahuide No.805, Lima 11, Peru, TEL:51-1-432-3188 FAX:51-1-432-7998).

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2. Rural Highway Rehabilitation and Improvement Project(II)

(1) Need for the project

Of all roads in Peru (a total length of 70,000km), only 11% are paved, 19% are small-set paved, with the remaining 70% being unpaved. In addition, even roads with pavement are not in good condition, owing to insufficient funds, inadequate maintenance and the security situation in the 1980's. The Peruvian Government is, therefore, implementing a "10-Year Program for the Rehabilitation of the Transport Network" which aims at improvement of the roads connecting the coastal and inland areas and the north-south roads inland. This project will be implemented under this program as the follow-on phase from the "Rural Highway Rehabilitation and Improvement Project", for which OECF provided a loan in September 1996.

(2) Content of the project

The project comprises the following components:

1. Rehabilitation of national road from Chiclayo to Changoyape (60km) and that from Abancay to Chaluanca (120km); and
2. Consulting services: Engineering services for the national road from Changoyape to Cajamarca (244km) and supervisory services for 1) above.

(3) Effect of the project

The project will contribute to stimulation of the economy in inland areas, improved market access for low-income people and jobs creation during the implementation period.

(4) Implementation

The Borrower is the Republic of Peru. The Executing Agency is The Ministry of Transport, Communication, Housing and Construction (MTC: Ministerio de Transportes, Comunicaciones, Vivienda y Construcción Address: Avenida 28 de Julio No. 800, Lima 1, Peru, TEL:F51-1-330-2233 FAX:F51-1-330-2233)

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3. Pomacocha-Rio Blanco Water Resource Transfer Project (MARCAII)

(1) Need for the project

One quarter of the total population of Peru is concentrated in Metropolitan Lima, located on the Pacific Ocean, which has very little rainfall (15 -30mm/year), and underground water resources have had to help the growing water demand. However, a very serious shortage of potable water has occurred in Metropolitan Lima, because of the increasing water demand resulting from population concentration in Lima (Population: 4.57 mil in 1981, 6.62 mil in 1994), and the exhaustion of underground water and salinity caused by extraction of existing resources. The purpose of this project is to stabilize the volume of water in the Limac River, which falls considerably in the dry period, and to ensure a sustainable supply of water to Metropolitan Lima, by transferring water resources as a new source of water supply to the Blanco River, a branch of the Limac River flowing through Metropolitan Lima, from the Pomacocha Dam and water-distribution facilities around the dam, constructed on the Yauli River, an upstream tributary of the Amazon, on the eastern side of the Andes Mountains.

(2) Outline of the project

This project is intended to create additional water supply (112 mil. m³/year) and improve the living conditions in Metropolitan Lima, by transferring water resources from a new source of water supply.

The project comprises the following components:

1. Heightening of the Pomacocha Dam
2. Improvement of the Outlet Conduit of the Haullacocha Dam
3. Construction of the Transfer Tunnel between Pomacocha and Rio-Blanco
4. Construction of Right and Left Bank Channels
5. Consulting Services (detailed design, assistance of bidding, etc.)

(3) Effect of the project

This project will contribute to a sustainable supply of water resources for Metropolitan Lima, improvement of living conditions and the prevention of depletion of underground water resources.

(4) Implementation

The Borrower is the Republic of Peru. The Executing Agency is Servicio de Agua Potable y Alcantarillado de Lima S.A.-SEDAPAL. (Address: Planta La Atarjea, Km. 1 Autopista Ramiro Priale, Lima 10, Peru, TEL:F51-1-362-5637 FAX:F51-1-362-3558)

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4. Electric Frontier Expansion Project (I)

(1) Need for the project

The electrification rate in Peru is only 65%, which is remarkably low compared with that for other Latin-American countries, for example Argentine and Chile (90%), Brazil (78%) and Colombia (82%). In addition, there is a vast difference in electrification rate between urban and rural areas. The electrification rate for urban areas is now high as 90%, while that for rural areas, where more than 45% of the Peruvian population live, is still only 20%. To address this situation, the Peruvian Government is implementing a National Electrification Plan, with the target of raising the country's electrification rate to 75% by the year 2000, focusing on the improvement of the electrification rate in rural areas. This project will be implemented under National Electrification Plan.

(2) Outline of the project

The project comprises the following components:

1. Transmission line expansion: Construction of Piura Transmission Line (60kv, 52km), Cuzco Transmission Line (60kv, 62km) and Arequipa Transmission Line (60kv, 63km);
2. Improvement of small-scale electricity supply systems: Construction of 22.9kv transmission lines (total 2,406km) and distribution lines for approximately 80,000 households served by 21 small-scale electricity supply systems;
3. Construction of El Valor Thermal Power Plant (capacity: 10MW) in Bagua-Jaen, and
4. Consulting services.

(3) Effect of the project

The project will contribute to development in low-income rural areas. The average electrification rate in the areas covered by the 21 small-scale electricity supply systems will be improved from 43% to 78%. An additional 340,000 people will enjoy electricity services.

(4) Implementation

The Borrower is the Republic of Peru. The Executing Agency is the Ministry of Energy and Mines. (MEM: Ministerio de Energia y Minas, Address: Av. Las Artes 260, San Borja, Lima 41, Peru TEL:F51-1-475-0056 FAX:F51-1-475-1088)

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5. Social Sector Development Project in Amazon Area

(1) Need for the project

Given the fact that in 1995 almost half of Peru's population (10.5 million) was classified as poor and 19.3 percent of the population (4.5 million) were classified as extremely poor, alleviation of poverty is urgently needed.

The Government of the Republic of Peru has made reducing poverty, improving the economic and social infrastructure and developing the rural areas a key policy area, drawing up an administrative program for the year 1995 - 2000. The Government has set the concrete target of reducing current levels of extreme poverty by 50 percent by the year 2000. The Project will reduce poverty and create jobs by implementing small-scale social and economic infrastructure subprojects with the participation of communities in the Amazon area, through the National Fund for Social Compensation and Development, Peru's social investment fund.

(2) Content of the Project

The project comprises two components: 1) Subprojects and 2) Promotion of those Subprojects.

1) Subprojects

The project target areas are poor areas in the Amazon region (Loreto, Ucayali, Amazonas, Madre de Dios, Cajamarca and Cuzco, which are not "Emergency Declaration Areas"). Subprojects will be implemented by communities 200 - 2,000 in size.

The following types of subproject are included:

1. Sanitary Infrastructure Subprojects
Potable Water Supply, Latrines, Drainage
2. Economic Infrastructure Subprojects
Transportation, Electrification

Some of the Potable Water Supply and Electrification Subprojects will be implemented using solar power on a trial basis.

2) Promotion of Subprojects

Project formation, public relations, etc., to be carried out by FONCODES staff.

(3) Effect of the project

The Project will contribute to improvement of social and economic infrastructure in the poor areas of the Amazon (especially agricultural areas where indigenous people live), the creation of jobs and raising of the income of communities through the implementation of the various subprojects. The Project will benefit the poor and the most vulnerable and improve their living conditions significantly.

(4) Implementation

The Borrower is the Republic of Peru. The Executing Agency is the National Fund for Social Compensation and Development. (FONCODES : Fondo Nacional de Compensacion y Desarrollo Social : Av. Paseo de la Republica 3101, San Isidro, Lima 27, Peru, TEL:51-1-211-0927, FAX:51-1-221-0925)

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