

Supporting the Rehabilitation of Disaster by El Nino Phenomenon - Contributing to the Regional Infrastructure Improvement and Poverty Alleviation -

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OECF (the Overseas Economic Cooperation Fund, Japan: President, Chairman of the Board: Mr. Kyosuke Shinozawa), has signed the loan agreements with the Republic of Peru on April 9, 1999 as a necessary fund totaling up to 57.153 billion yen for five projects of "El Nino-Affected Highway Rehabilitation Project", "Sierra - Natural Resources Management and Poverty Alleviation Project (II)", "Social Sector Development Project in Sierra Area", "Provincial Cities Water Supply and Sewerage System Improvement and Expansion Project (Piura-Castilla and Chimbote)" and "Electric Frontier Expansion Project (II)".

The loan agreements were signed at OECF head office in Tokyo by Mr. Kyosuke Shinozawa, OECF's President and H.E. Mr. Victor Aritomi Shinto, Ambassador Extraordinary and Plenipotentiary of the Republic of Peru to Japan.

As a result, the cumulative total of ODA loan commitments to Peru now stands at 289.68 billion yen with 27 projects.

The amounts, terms and conditions of the loans and the project descriptions are as follows.

1. Amounts, Terms and Conditions

Project Name	Amount (Million Yen)	Interest Rate (% ,p.a.)		Repayment Period /Grace Period (years)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
El Nino-Affected Highway Rehabilitation Project	15,833	2.2	0.75**	25 / 7	40 / 10	General Untied	Bilateral Tied
Sierra - Natural Resources Management and Poverty Alleviation Project (II)	7,259	1.7*	0.75**	25 / 7	40 / 10	General Untied	Bilateral Tied
Social Sector Development Project in Sierra Area	7,003	1.7*	-	25 / 7	-	General Untied	-
Provincial Cities Water Supply and Sewerage System Improvement and Expansion Project (Piura-Castilla and Chimbote)	13,901	1.7* 0.75**	0.75**	25 / 7 40 / 10	40 / 10	General Untied Partially Untied	Bilateral Tied
Electric Frontier Expansion Project (II)	13,157	2.2	0.75**	25 / 7	40 / 10	General Untied	Bilateral Tied
Total	57,153						

* Standard environmental project

** Special environmental project

2. Project Descriptions

El Nino-Affected Highway Rehabilitation Project

(1) Need for the Project

The El Nino phenomenon which appeared from spring 1997 to summer 1998 was the largest ever observed. It caused widespread damage, but that to the road sector was particularly severe. Bridges were washed out and roads ruined, causing around 30% of the total damage of \$1 billion. This situation led the Peruvian government to adopt the "El Nino Emergency Assistance Program" to implement urgent rehabilitation works to the damaged areas in all affected sectors. However, full-scale rehabilitation work remains a task for the future.

The country is highly dependent on road transport, and the damage to the roads is having a grave impact, which extends beyond the disaster areas, to affect its economy and society nationwide. Rehabilitation to the road sector, which has suffered the worst damage, is urgent necessity. Preventive measures must also be taken to avoid the same magnitude of damage if similar disasters recur.

In the light of the importance of rehabilitating the road sector, the project will repair and improve damaged road networks.

(2) Description of the Project

This project will improve the major paved and unpaved roads linking the mountains with the coast, which suffered severe damage. Traffic volume and priorities will be taken into account in selecting the areas to be refurbished.

(3) Benefits of the Project

This project will enhance the flow of distribution through the rehabilitation and improvements of the road network which is now temporary network and stimulate the economy which has been hit hard by El Nino. In addition, the implementation of countermeasures against natural disasters in the target areas will protect the restored roads from the future damages.

The proceeds of the loan will be used for procurement of civil works and consulting services (detailed design and construction management).

The executing agency is the Ministerio de Transportes, Comunicaciones, Vivienda y Construcción: MTC (Address: Avenida 28 de Julio No. 800, Lima 1, Peru, TEL: 51-1-330-2233, FAX: 51-1-330-2233).

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Sierra - Natural Resources Management and Poverty Alleviation Project (II)

(1) Need for the Project

In Peru, 10.5 million people live in poverty, nearly a half of the 23.5 million national population, and those in absolute poverty number 4.5 million, 19.3% of the population (1995). Support for those in poverty and absolute poverty is an urgent task. In President Fujimori's first term of office, the main policy objectives were to maintain economic stabilization through suppression of inflation, and to implement reforms for sustainable economic growth. In addition, the Peruvian government set the alleviation of poverty as their greatest development objective. Between 1995 and 2000, their policy direction is to step up measures against poverty. Most of those in poverty or in absolute poverty live in mountainous regions under harsh natural conditions. They raise agricultural products such as potatoes, corn and livestock by traditional methods with low productivity. Therefore, the Peruvian government has targeted those farmers in mountainous regions with projects to alleviate poverty and conserve the environment.

This project aims at raising agricultural production and poverty alleviation in these areas through conservation of soil and forests in small mountain valleys, and building small-scale irrigation facilities with the participation of local people.

This project will be implemented as a continuation of the "Sierra-Poverty Alleviation and Natural Resources Management Project (I)" which was in November 1997.

(2) Description of the Project

This project will cover approximately 150 small basins (in 8 prefectures of Ancash, Arequipa, Ayacucho, Cajamarca, Cusco, Huancavelica, La Libertad and Piura) in mountainous regions above 2,000m (Sierra) and target approximately 900 farming communities. It aims to alleviate poverty and conserve the environment in those areas. (Total project cost is approximately 9.7 billion yen, and the duration of aid implementation is expected to be approximately 6 years.) The specific project description is as follows:

- 1) Evaluation of soil and water resources in each valley, evaluation of water resources and preparation of a plan.
- 2) Rural development investment (soil conservation, building small-scale irrigation facilities, tree planting, forestry conservation etc.).
- 3) Support for training in the community.
- 4) Project monitoring by the executing agency (including staff training and support with equipment and materials).

(3) Benefits of the Project

This project is expected to manage the natural resources (forests, soil and water) of Peru's mountainous regions in an effective and sustainable manner, and to raise the agricultural productivity of the people. These benefits will alleviate poverty and conserve the environment.

The proceeds of the loan will be used for procurement of necessary equipment and materials, and consulting services for project monitoring.

The executing agency is the National Project for the Management of Watershed Basins and Soil Conservation: PRONAMACHCS (Address: Av. Alameda del Corregidor 155, La Molina, Lima, Peru, TEL: 51-14-349-3396, FAX: 51-14-349-3394).

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Social Sector Development Project in Sierra Area

(1) Need for the Project

In Peru, 10.5 million people live in poverty, nearly a half of the 23.5 million national population, and those in absolute poverty number 4.5 million, 19.3% of the population (1995). Support for those in poverty and absolute poverty is an urgent task. In President Fujimori's first term of office, the main policy objectives were to maintain economic stabilization through suppression of inflation, and to implement reforms for sustainable economic growth. In addition, the Peruvian government set the alleviation of poverty as their greatest development objective. Between 1995 and 2000, their policy direction is to step up measures against poverty.

This project will act through the National Social Development Fund (FONCONDES) in poor areas in four prefectures of mountain region (Cusco, Puno, Cajamarca and Ancash, excluding some areas where martial law has been declared) in place of the Amazon basin which was assisted in FY1997. It will implement small projects to build public health infrastructure with the participation of local residents, in order to alleviate poverty and improve the living environment.

This project follows on "Social Sector Development Project in Amazon Area" which was signed in November 1997.

(2) Description of the Project

The ODA loan provided for this project covers the implementation of sub-projects (improvement of social and public health infrastructure) and encouragement for other sub-projects (assistance in project formulation, preliminary appraisal and publicity activities, etc., for sub-projects by the staff of the executing agency).

Sub-projects under this project will be implemented in villages of 40-400 households in the above 4 prefectures, which have large populations in poverty. They will build social and public health infrastructure in the form of simple water supply, simple toilets and simple facilities for the household waste water disposal.

(3) Benefits of the Project

This project will enhance the social and public health infrastructure in poor regions, thereby alleviating poverty and improving the living environment in those areas. The provision of water supply will reduce the labor expended by women and children in water gathering.

The proceeds of the loan will be used for procurement of equipment and materials and necessary civil works.

The executing agency is the Fondo Nacional de Compensacion y Desarrollo Social: FONCODES (Address: Av. Paseo de la Republica 310, San Isidro, Lima 27, Peru, TEL: 51-1-211-0927, FAX: 51-1-221-0925).

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Provincial Cities Water Supply and Sewerage System Improvement and Expansion Project (Piura-Castilla and Chimbote)

(1) Need for the Project

Peru did not invest in water supply and sewerage in the 1980s, and as a result the national average diffusion rate for water supply is 60%, while that for sewerage is only 60%.

Water supply and sewerage facilities in provincial cities are particularly dilapidated, and breakdowns occur constantly. As a result, water supplies are inadequate, the public health situation is worsening and the impact on the health of people in affected areas increases. The building of basic social infrastructure, particularly in the form of improved and expanded water supply and sewerage systems, is an urgent necessity for the above reasons, and also to alleviate the problems of urban overcrowding by dispersing the population to settle in regional cities. Since the start of the '90s, the Peruvian government has recognized the importance of water supply and sewerage, and adopted plans for their improvement. The plans are designed to be appropriate for the size of cities served and are being implemented gradually.

This project will aid the improvement and expansion of water supply and sewerage infrastructure in provincial cities, where the development of such infrastructure is lagging behind.

(2) Description of the Project

This project will improve and expand water supply and sewerage facilities in the cities of Piura and Chimbote to improve the public health situation. Specific project description is as follows:

1) Piura city

Water supply improvement (construction of new water treatment facilities, improvement and expansion of the service pipeline network, and construction of new service reservoirs, improvement and expansion of the water distribution network, and installation of domestic water meters).

Sewerage improvement (improvement and expansion of sewage treatment plants, improvement and expansion of the sewage pipeline network, improvement and expansion of pumping stations).

2) Chimbote city

Water supply improvement (improvement and expansion of water treatment plant, improvement and expansion of reservoir, improvement and expansion of service reservoirs, improvement and expansion of water distribution network, and installation of domestic water meters).

Sewerage improvement (improvement and expansion of sewage treatment plants, improvement and expansion of the sewage pipeline network).

(3) Benefits of the Project

This project will improve the quality and availability of potable water, reduce its production cost and raise sewage treatment capacity in Piura and Chimbote, two of Peru's main provincial cities. These improvements will enhance the public health situation in these cities, reduce morbidity rates and raise the rate of permanent settlement, reducing population drift to Lima, the capital.

The proceeds of the loan will be used for procurement of necessary civil works and consulting services (environmental effect survey, etc.).

The executing agency is the Programa Nacional de Agua Portable y Alcantarillado: PRONAP (Address: Avenida Benavides 2199 Piso 5, Miraflores, Lima, Peru, TEL: 51-1-271-9638, FAX: 51-1-271-2707).

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Electric Frontier Expansion Project (II)

(1) Need for the Project

The electrification rate in Peru is 65%, far below the rates in other Central and South American countries (90% electrification in Argentina and Chile, 78% in Brazil, and 82% in Colombia). Furthermore, the disparity in electrification rates between the cities and the countryside is extreme; electrification in Lima and other urban areas is over 90%, while in

the Andes and Amazon basin regions where 45% of the total population live, it has largely come to a halt at a rate of only 30%. In 1993, the Peruvian government elaborated the "National Electrification Plan" to remedy the low rates of electrification in the regions. This project will serve as an element in that plan following on from the "Electric Frontier Expansion Project I" which was signed in November 1997.

(2) Description of the Project

This project will improve the electricity transmission and distribution networks in regions with low electrification rates. Specific project description is as follows.

1) Expansion of transmission lines

Sihuas - Pomabamba transmission line (60kV, 35km)

Cajamarca - Celendin transmission line (60kV, 60km)

Puquio - Coracora transmission line (60kV, 52km)

Majes - Chuquibamba transmission line (60kV, 100km)

Chulucanas - Huancabamba transmission line (60kV, 88k)

Huallanca - Tayabamba transmission line (138kV, 102km)

2) Improvement of small power distribution systems

Construction, in 12 regions nationwide, of approximately 3,100km of 22.9kV transmission lines and distribution facilities to cover approximately 75,000 households.

(3) Benefits of the Project

By raising electrification rates, the project will improve the standard of living and stimulate the local economy in the regions, as well as raising the national electrification rate by approximately 2%.

The proceeds of the loan will be used for procurement of civil works, equipment and materials and consulting services (bidding assistance and construction management).

The executing agency is the Ministerio de Energia y Minas: MEM (Address: Av. Las Artes 260, San Borja, Lima 41, Peru, TEL: 51-1-475-0056, FAX: 51-1-475-9460).

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