

## Signing of Japanese ODA Loan Agreements with the Republic of Peru

–Contributing to poverty reduction in the Amazon and the Sierra region–

1. Today, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the Government of the Republic of Peru in Lima, Capital of Peru, to provide loans of up to 3.21 billion yen for the Rural Amazonia Water Supply and Sanitation Project and up to 4.406 billion yen for the Sierra Small and Medium Irrigation Project .

2. The government of Peru, while maintaining macroeconomic policies which have achieved high growth, positions "Social Inclusion" which places a focus on the poor in its development policy in order to resolve serious income disparities between urban and rural regions and between the Coastal region and the Amazon and the Sierra region (mountainous regions). The Government also sets forth a policy to give priority to support for the Amazon and the Sierra region.

3. The Japanese ODA loans provided by the agreements are described below.

### (1) Rural Amazonia Water Supply and Sanitation Project

The project aims to improve coverage and quality of water supply and sanitation services by constructing, rehabilitating and expanding water supply and sanitation facilities, thereby contributing to the improvement of the health and life quality of the rural populations in the three departments, Loreto, Amazonas and San Martín, located in Amazonian region.

### (2) Sierra Small and Medium Irrigation Project

The project aims to increase farming production by improving irrigation facilities and enhancing institutional capacity for water management, thereby contributing to the improvement of the standard of living of local residents in the nine departments, Piura, Amazonas, Cajamarca, La Libertad, Ancash, Huanuco, Junin, Huancavelica and Ayacucho, located in the Sierra region

4. JICA has positioned "poverty reduction and redressing disparities" as one of the priority issues of the ODA for Peru and has been contributing to the improvement of production activities and the livelihood of residents in the Sierra region with high poverty rate, through projects under Japanese ODA loans for poverty alleviation and environment conservation in the Sierra region (total amount of 18.524 billion yen) as well as a technical cooperation project for improving livelihood of small-scale farmers in Cajamarca.

As the international community aims to "reduce by half the proportion of people without access to safe drinking water and basic sanitation by 2015" in the Millennium Development Goals (MDG), access to water supply and sanitation facilities is one of the crucial issues to be addressed. JICA plans to continue its support to Peru in resolving these development issues that the country faces.



Mr. Makoto Nakao, Chief Representative, JICA Peru Office and Mr. Luis Miguel Castilla Rubio, Minister of Economy and Finance shook hands after signing loan agreements.

### Related Link

- ▶ [Project Map \(Rural Amazonia Water Supply and Sanitation Project\) \(PDF/177KB\)](#)
- ▶ [Project Map \(Sierra Small and Medium Scale Irrigation Project\) \(PDF/109KB\)](#)

## Reference

### 1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment (years)	Grace Period (years)	Procurement
		Project	Consulting services			
Rural Amazonia Water Supply and Sanitation Project	3,210	1.7	0.01	25	7	General untied
Sierra Small and Medium Scale Irrigation Project	4,406	1.7	0.01	25	7	General untied

### 2. Project Summaries

#### (1) Rural Amazonia Water Supply and Sanitation Project

##### Background and Necessity

The Amazonian region, covering around 58 percent of Peru's national land, belongs to a tropical climate with much rainfall and abundant water resources. In the rural areas of the region, the coverage rate of water supply and sanitation facilities is significantly low, which remains around 10 percent. Under such circumstances, the poor sanitary condition, caused by the use of unsanitary water and inadequate treatment of discharged water, has produced the local residents serious health concerns such as diarrhea, skin infections, malnutrition and parasites. Hence, securing access to water supply and sanitation facilities is an urgent and crucial task to improve living condition of the local residents

##### Objective and Summary

The current administration of Ollanta Humala, under the slogan of "Social Inclusion", has given the priority to the improvement and expansion of water supply and sewer services. In their policy statement conducted at the end of August 2011, the current administration aims to increase the following coverage rates in the rural area of Peru, by the end of 2016.

- Coverage rate of water supply facilities to 57percent (39percent as of the end of Year 2010)
- Coverage rate of sewerage facilities to 45percent (21percent as of the end of Year 2010)
- Coverage rate of sanitation facilities to 66percent (22percent as of the end of Year 2010)

To achieve such goals, it is crucial to improve the water supply and sanitation condition in the rural areas of Amazonian region, where the coverage rates of these facilities remain around 10 percent. Through this project, it is expected that approximately 45,000 households are going to be newly connected to water supply facilities and approximately 39,000 households are going to newly connected to sewerage and sanitation facilities.

The loan will be utilized for constructing and rehabilitating water supply and sanitation facilities, community empowerment activities and consulting services.

## Executing Agency

Programa Nacional de Saneamiento Rural (National Program for Rural Sanitation)  
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Phone:+51-1-422-6608, FAX:+51-1-422-6586

## Planned Implementation Schedule

- (i) Completion of project: February 2015 – when the facilities are put into service
- (ii) Issuing of letters of invitation for consulting services (including detailed design work): October 2012
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction: There will be no procurement in this project through international competitive bidding, but procurement for subsequent project implementation through local competitive bidding.

## (2) Sierra Small and Medium Scale Irrigation Project

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### Background and Necessity

Peru has achieved annual economic growth on the order of nearly 8 percent on average for the past five years excluding 2009 after Global Financial Crisis. On the other hand, the poverty rate of the national average remains high at 31 percent. Especially, in the Sierra region in Peru, the poverty rate reaches as high as 49 percent, highly exceeding the national average. In the region, one of the important industries is agriculture and livestock where about 80 percent of the working population is engaged in. However, the agricultural productivity of this region remains at about 40 percent compared with that of the Coastal region because many farmers engage in rain-fed agriculture in steep-sided small farm land in dry climate. Improving income of rural areas of the mountainous regions is an urgent issue to resolve the poverty problem in Peru.

Under such circumstances, in order to resolve the poverty problem in the Sierra region, it is necessary to improve the utilization ratio of limited farmland and agricultural productivity by improving irrigation facilities in the mountainous regions, thereby contributing to the improvement of their living standard. In addition, inappropriate development of natural resources and the deforestation by farmer's land seeking cause soil erosion, and reduce agricultural productivity and water holding capacity, therefore, it is necessary to control water resources through watershed preservation activities

### Objective and Summary

This project aims to improve the utilization efficiency of water resources and the increase of sustainable agricultural production by supporting the formation of irrigation associations which conduct management, maintenance and the control of irrigation facilities and technical instructions, and watershed preservation activities as well as the development of irrigation facilities in the Sierra region with the highest poverty rate in the country. It is expected to develop 17,000-hectare irrigation areas and benefit about 10,500 farm households through the implementation of this project.

The loan will be utilized for the construction and repairing of irrigation facilities, formation and the organization of irrigation associations, and watershed preservation activities as well as to consulting services in the nine departments located in the Sierra region.

## Executing Agency

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## Planned Implementation Schedule

- (i) Completion of project: August 2016 – when the facilities are put into service
- (ii) Issuing of letters of invitation for consulting services (entire project coordination): July 2012
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:  
Procurement package title: Package Construction of irrigation canal of El Rejo  
Release date: March 2013



Amazonas

Loreto

San Martín

## “Sierra Small and Medium Irrigation Project” Map

