

Signing of Japanese ODA Loan Agreements with the Republic of Peru

–Assistance to the environmental mitigation and climate change to realize the sustainable development–

Today, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the government of Peru in Tokyo to provide loans of up to 8.77 billion yen for assistance for the Energy Renovation Infrastructure Assistance Program and up to 4.396 billion yen for assistance for the Solid Waste Management Project.

Peru has realized rapid economic growth in recent years, the energy demand (final consumption) in Peru has been increasing and it is necessary to increase the capacity for power generation and supply with the use of renewable energy source with the lower emission of greenhouse gas. Also, there remain the delayed measures for environmental management especially in such field as the solid waste disposal. In rural cities, almost no waste is properly collected and discharged; instead, it is disposed in garbage dumps or piled in open area without any appropriate treatment. Such improper waste disposal has caused serious concerns for worsening the living environment for nearby residents.

Through the projects committed this time, JICA is going to conduct assistance for the sector of environmental mitigation and climate change, which is one of the most important development issues in Peru.

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

(1) Energy Renovation Infrastructure Assistance Program

The project aims to contribute to sustainable economic development and mitigation of global climate change. Through this project, the government of Peru (the borrower) will transfer the fund to Corporación Financiera de Desarrollo S.A., (hereinafter COFIDE, the executing agency), which then will provide mid-and-long term financing through intermediary financial institutions to end users, primarily private companies, to implement sub-projects to promote energy efficiency. In addition, technical assistance (consulting services) will be provided to encourage the end users to take environmental measures.

(2) Solid Waste Management Project

The objective of the project is to establish efficient and sustainable solid waste management system in the 23 prioritized cities by constructing solid waste infrastructures as well as developing and/or rehabilitating solid waste collection and recycling/ recovering systems thereby contributing to improve environmental quality and living standard of the people in the target regions in Peru. It also aims to contribute to the alleviation of climate change.

Through the Cool Earth Promotion Programme of January 2008, the Hatoyama Initiative of September 2009, and other such announcements, Japan has expressed that it will provide proactive cooperation for climate change initiatives in developing countries. As it's part of JICA's policy for addressing global problems, JICA will focus assistance on environmental conservation, including climate change measures.

JICA plans to continue its support to Peru for sustainable economic growth in resolving development issues in coordination with other agencies.

Related Link

› [Project Map \(PDF/783KB\)](#)



Signing ceremony (Left: Hideaki Domichi, JICA Senior Vice President. Right: Luis Miguel Castilla Rubio, Minister of Economy and Finance, Peru)

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment (years)	Grace Period (years)	Procurement
		Project	Consulting services			
Energy Renovation Infrastructure Assistance Program	8,770	0.6	0.01	15	5	General Untied
Solid Waste Management Project	4,396	0.6	0.01	15	5	

2. Project Summaries

(1) Energy Renovation Infrastructure Assistance Program

Background and Necessity

Due to rapid economic growth in recent years, the energy demand (final consumption) in Peru has increased by an annual average of 8 percent over the five years leading up to 2010. Going forward, if the energy demand continues to rise at the same pace, it will be necessary to increase the capacity for power generation and supply to roughly double the current amount by 2019. In the process of strengthening the power generation capacity, it is necessary to advance and maintain energy policies that further expand the use of hydroelectric power and other renewable energy sources rather than thermal power, an increasing trend recently that uses natural gas. Small hydroelectric power generation, one of the targets of this project, is expected to have a large demand for financing. To meet the increasing energy demand, making energy use efficient particularly in sectors with high consumption (energy-saving measures in the production sector and the introduction of low-pollution vehicles in the transport sector) is also a pressing issue. To promote energy-saving measures, carefully planned technical support, such as providing energy diagnosis services, holding workshops, is required to identify the needs of private companies and raise their motivation to invest.

Objective and Summary

The government of Peru has ratified the 1992 United Nations Framework Convention on Climate Change and the 1997 Kyoto Protocol, and is taking comprehensive measures against global climate change as a nation by enacting laws and plans such as the National Environmental Policy (2005) and the Action Plan for Adaptation and Mitigation Against Climate Change (2010), and creating organizational structure to address the issue. Through COFIDE, this project promotes the efficient use of energy in climate change measures established by the government of Peru, and assist and promote initiatives for the private sector to fight global climate change.

The financing will be allocated to sub-loans for initiatives to save energy and develop renewable energy, including small hydroelectric plants, and for introducing low-pollution vehicles (converting public buses to natural gas and acquiring low-emission diesel vehicles), as well as to consulting services.

Executing Agency

Corporación Financiera de Desarrollo S.A. (COFIDE)
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Planned Implementation Schedule

- (i) Completion of project: May 2017 – with completion of disbursement
- (ii) Issuing of letters of invitation for consulting services (for overall project monitoring): December 2012
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Although there will be no procurement through international competitive bidding, procurement is expected for the implementation of projects of sub-loans provided by the intermediary financial institution.

(2) Solid Waste Management Project

Background and Necessity

In Peru, the amount of general waste, solid waste generated through household and commercial activities reaches 23,260 tons per day.

While the generation of such large amount of municipal solid waste, major part of the generated general waste is disposed in the open-dumping site. In Peru, out of the abovementioned generated volume of waste, only about 26 percent of that is disposed in sanitary landfills, and most of that 26 percent is the waste in the Lima area. In rural cities, almost no waste is properly collected and discharged; instead, it is disposed in garbage dumps or piled in open area without any appropriate treatment. Such improper waste disposal has caused serious problems in which water leaks and seeps into the ground, contaminating underground water and water sources, and worsening the living environment for nearby residents. Providing a unified collection and processing system for general waste that takes into account the environment is an urgent issue, and entails the construction of regional sanitary landfills and strengthening the capacity to collect and transport waste.

Objective and Summary

Established in 2008, the Ministry of the Environment (MINAM) has established a national environmental plan which sets an objective of treating all general waste properly by 2021, and as the first step, aims to appropriately dispose of 50 percent of general waste. A program to create an integrated waste collection and processing system in the 31 rural cities has been formulated. This project forms major part of that program, which includes the construction of sanitary landfills and the procurement of equipment and materials in the 23 cities out of 31 target cities of the program. The other 8 cities of the target cities of the program will be financed by the Inter-American Development Bank (IDB) loan.

Through this project, JICA will assist the first trial of the central government of Peru to undertake and supervise the nationwide program to construct an integral waste management system in many local cities, which will be a crucial step for the development of waste management system in Peru. Coordinating with the IDB, JICA will advance the project while providing appropriate assistance to MINAM, which will supervise the project. The possibility of technical cooperation, dispatching volunteers and other such steps are also being considered for enhancing the capacity of the local municipalities to operate, maintain and manage the facilities constructed and settled by this project, as is assistance for environmental-education to the residents.

The funding for this project will be allocated to civil works for the construction of sanitary landfills, procurement of materials and equipment (including heavy machinery for sanitary landfills and vehicles for collection and transportation of waste) and consulting services.

Executing Agency

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Planned Implementation Schedule

- (i) Completion of project: July 2016 – with completion of all facilities and procurement of all equipment
- (ii) Issuing of letters of invitation for consulting services (including overall project monitoring): December 2012
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction:

Procurement package title:

1. Sanitary Landfill Construction
2. Procurement of Heavy Machinery for Landfill Operation, and Equipment and Vehicles for Collection and Transportation

Release date: November 2013

Project Map : Solid Waste Management Project

