

**PROGRAM FOR RECONSTRUCTION OF INFRASTRUCTURE  
DAMAGED BY "EL NIÑO"**

**(PE-0198)**

**EXECUTIVE SUMMARY**

<b>Borrower and guarantor:</b>	Republic of Peru	
<b>Executing agency:</b>	Ministry of Economy and Finance (MEF), through the Office of Public Investment (ODI)	
<b>Amount and source:</b>	IDB: (OC)	US\$120 million
	Local:	US\$ 51 million
	Total:	US\$171 million
<b>Financial terms and conditions:</b>	Amortization period:	25 years
	Grace period:	4 years
	Commitment period:	3 years
	Disbursement period:	3.5 years
	Interest rate: variable	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars from the Single Currency Facility
<b>Objectives:</b>	The general objective of the program is to normalize the economic and social development of the departments affected by the El Niño phenomenon. The specific objective is to carry out the reconstruction of physical infrastructure works and resumption of services affected by El Niño, in the sectors of transportation, sanitation, education and health, in the departments that were formally declared by the government to be in a state of emergency.	
<b>Description:</b>	The program includes the financing of the following specific works:	
	<b>1. Component 1: Transportation sector (US\$56.3 million)</b>	
	a.	Reconstruction of three sections of major highways: Lambayeque-Bayovar Bypass-Piura; Sullana-Talara-Los Organos and Los Organos-Aguas Verdes.

- b. Rural road infrastructure: reconstruction of 75 small works grouped into four bid packages.
- c. Urban infrastructure: reconstruction of 19 small works, such as streets and sidewalks in five departments, grouped into four bid packages.
- d. Riverbank reinforcement to support road infrastructure: reconstruction of 37 works, such as concrete, earth or rock walls to protect certain portions of the road infrastructure and certain critical areas in small cities. These works have been grouped into four bid packages.

## **2. Component 2: Sanitation sector (US\$19.9 million)**

This involves the repair and/or reconstruction of 395 small works, such as collectors and pumping mains, rehabilitation of wells and pumping stations, replacement of water and reservoir systems, in different departments. For purposes of contracting and execution, these works have been grouped into four packages.

## **3. Component 3: Education and health sectors (US\$30.4 million)**

- a. Repair and/or reconstruction of 94 health-care facilities (clinics and health-care centers) in four departments, grouped into two bid packages.
- b. Repair and/or reconstruction of 254 educational centers in 11 departments, grouped into eight bid packages.

### **The Bank's country and sector strategy:**

The proposed program is consistent with the Bank's policy on natural and unexpected disasters (OP-704), under the terms of which the Bank supported Peru in the disaster-mitigation and emergency stages through loan 1058/OC-PE, and in part of the reconstruction stage. The purpose of the proposed financing is to support the country in the reconstruction of the remaining works in the aforementioned sectors.

### **Environmental and social review:**

The Committee on Environment and Social Impact (CESI) did not present special recommendations to supplement the monitoring system that has already been adopted with the program under way.

### **Benefits:**

The program will allow for speedier reconstruction of works affected by El Niño than could be carried out without external financing. The reconstruction activities, in turn, will allow for economic recovery and a return to economic and social development in the departments most affected by El Niño. Lastly, the program will directly benefit the population living in poverty in the program's service areas, according to the country's poverty map.

**Risks:** One possible risk is that the reconstruction of works under the jurisdiction of regional and local governments could suffer delays due to potential lack of coordination between these entities and the subexecuting agencies. This risk is minimized due to the high priority the governments attach to the reconstruction of the works proposed in the program.

Another possible risk of the program is that, given the large number of small-scale works in various sectors, there could be delays in execution. This risk is minimized by the selection of subexecuting agencies with extensive experience in the contracting of works under their responsibility, and the grouping of works into specific bid packages. Further, the lessons learned during the execution of program 1058/OC-PE have made it possible to incorporate the experience into the execution of the proposed program, particularly in reference to the contracting processes, and this will also help expedite its implementation.

**Special contractual clauses:**

Prior to the first disbursement:

- a. Agreements are to be signed with all subexecuting agencies that will be implementing activities in 2000, setting out responsibilities for carrying out the works, including maintenance (par. 3.7).
- b. Environmental consulting services will be contracted, in order to strengthen the monitoring capacity of the program coordinating unit (PCU) and of the subexecuting agencies, and the terms of reference for environmental audits of the emergency projects financed with loan 1058/OC-PE will be presented (par. 3.36).

Within three months after the first disbursement, the maintenance plans of the largest sanitation utilities (Tumbes, Piura, Chiclayo, and Trujillo) benefiting under the program are to be presented to the Bank (par. 3.17).

Within 30 days after the fiscal year-end, the external auditing firm must have been hired to perform the financial and operational audit (par. 3.35).

**Poverty-targeting and social sector classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets for Bank activities mandated by the Eighth Replenishment (document AB-1704). Likewise, this operation qualifies as a poverty-targeted investment (PTI), since it meets the geographic criterion according to which the program's activities will be executed in areas of the country identified as poor (par. 2.20).

**Exceptions to Bank policy:** None

**Procurement:** The procurement of goods and related services, construction of civil works, as well as contracting of consulting services financed with program resources will be carried out in accordance with the Bank's standard procedures for procurement and for the selection and contracting of consultants.

With the exception of the three largest transportation sector works, all of the smaller works within each sector have been grouped into 26 bid packages (see Annex II).

Thresholds above which international competitive bidding will be mandatory will be US\$5 million for civil works and US\$350,000 for associated goods and services. The threshold for works projects is justified given the small size of most of these repair and reconstruction jobs and the fact that they will be scattered over different parts of the country. Since they cannot be combined into packages larger than the ones devised, they will not be of interest to international firms. As for goods, the loan funds would be used to purchase primarily hardware and software to help the subexecuting agencies better perform their work. Various suppliers representing foreign firms in Peru sell such items, and they also can assure proper maintenance and service.